

AGENDA

Meeting of the
Risk and Audit Committee

Wednesday 12 July 2023
commencing at 3.30pm

To be held:
Clocktower Chambers,
Palmerston Street, Westport



CORE COUNCILLOR ROLE AND RESPONSIBILITIES

- The Governance role entails:
- Strategic planning and decision-making;
 - Policy and strategy review;
 - Community leadership and engagement, and stewardship;
 - Setting appropriate levels of service;
 - Maintaining a financially sustainable organisation; and
 - Oversight/scrutiny of Council's performance as one team.

The governance role focusses on the big picture of 'steering the boat' - management's role focusses on 'rowing the boat'

Our commitments to best support each other and meet the challenges and opportunities of 2023 include:

CLEAR AND RESPECTFUL COMMUNICATION

We are committed to:

- Actively listening and not interrupting;
- Remaining conscious of 'tone', body language, and amount of time speaking (allowing time for others);
- Responding/answering in a timely manner; and
- Being honest, reasonable, and transparent.

TRUST AND RESPECT

We recognise that trust and respect must be earned and that a team without trust isn't really a team. Trust can be built by:

- Valuing long-term relationships;
- being honest; honouring commitments; admitting when you're wrong; communicating effectively; being transparent; standing up for what's right; showing people that you care; being helpful; and being vulnerable.

CONTINUOUS LEARNING AND IMPROVEMENT

Continuous learning and improvement are critical for growing together as a team.

We are committed to constantly reviewing what is going well and what needs to improve in relation to the way we work together, the processes we follow, and the outcomes we deliver.

NONE OF US IS AS SMART AS ALL OF US

Risk and Audit Committee

Reports to:	The Council
Chairperson:	Independent Chair - Sharon Roche
Membership:	The Mayor, all Councillors and Māori Representative
Meeting Frequency:	Monthly
Quorum:	A majority of members (including vacancies)

Purpose

The Risk and Audit Committee is responsible for:

1. Monitoring Council's financial strategy, and financial performance against the Annual and Long Term Plans.
2. Monitoring Council's interests in its Council Controlled Organisations (CCOs).
3. Reviewing the Council's risk register and associated process for managing current and emerging risk.
4. Ensuring the independence and effectiveness of Council's External and Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies as required.
6. Ensuring that council policies and practices will prevent unethical, questionable or illegal activities.
7. Providing a communication link between management, internal auditors/external auditors and Council.
8. Supporting measures to improve management performance and internal controls.

In addition to the common delegations (refer appendix attached) the Risk and Audit Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To receive regular reports regarding Council's financial and non-financial performance against Annual and Long Term Plans.
2. To consider reports related to significant expenditure outside of the Annual and Long Term Plans and make appropriate recommendations to Council.
3. To develop and monitor policy related to the following matters:
 - a) Financial management;

- b) Revenue generation;
 - c) Procurement and tendering; and
 - d) The appointment and remuneration of directors and CCOs
4. To monitor the probity of processes relating to policies developed by the Risk and Audit Committee.
 5. To provide clear direction to Council's CCOs on Council's expectations, including feedback on draft statements of intent.
 6. To receive Quarterly reports of Council's CCOs, including board performance.
 7. To undertake any reviews of CCOs and make appropriate recommendations for approval by Council.
 8. Review CCO requests for major transaction approval and recommend appropriate actions to Council.
 9. To monitor Council's debt and investments to ensure compliance with Council policy.
 10. To monitor the Council's outstanding debtors' positions.
 11. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
 12. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

Internal Audit

13. Agree the scope of internal audits.
14. Monitor the delivery of the internal audit work programme and results
15. Assess whether Internal Audit's recommendations have been properly implemented by management.
16. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

Other Matters

17. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks
18. Review the effectiveness of the systems for monitoring the Council's compliance against legislation, regulation, policy, and guidelines (including health and safety).
19. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
20. Provide an annual review of Council's risk management framework and amend as required.
21. Review and monitor business continuity planning.

The Committee is delegated the following powers:

- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.
- The Committee will provide three-monthly reports to Council on its activities with appropriate recommendations.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- The Chairperson will be an independent appointment, not an elected member, to strengthen the independent nature of the Committee's monitoring responsibility of Council activities.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- The Chief Executive Officer and Chief Financial Officer are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the Committee meetings, as required.
- The Chairperson of the Committee shall review the travel and other reimbursed expenses of the Chief Executive Officer and confirm compliance with Council policies and practice. This information will be provided to the Chairperson on a monthly basis.
- The Chairperson shall review the travel and other reimbursed expenses of the Mayor and confirm compliance with Council policies. This information will be provided to the Chairperson on a monthly basis.
- The Chief Executive Officer (Principal Advisor) shall be responsible for drawing to the Committee's immediate attention to any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The Chairperson shall present an annual Audit and Risk Self Review to Council summarising the Committee's activities during the year and any related significant results and findings.

Oversight of Policies:

- *Risk Management Framework*
- *Freeholding of Leasehold Land*
- *Revenue and financing*
- *Rates remission*
- *Development and financial contributions*
- *Significance and engagement*
- *Treasury Management*
- *Sensitive Expenditure*

Appendice - Common Delegations

The following delegations from Council are common to the Risk and Audit Committee, the Community, Environment and Services Committee and the Regulatory, Hearings and Planning Committee within their respective areas of responsibility.

General Principal

1. The work of these Committees will be in accordance with the priorities and work programme agreed by the Council.
2. These Committees have the powers necessary to perform the Committee's responsibilities, in accordance with the approved Long Term Plan and Annual Plan budgets. Subject to confirmation of compliance with the financial strategy.

These Committees will:

Strategy, plans and policy

1. Develop and agree to strategies, plans and policies for the purposes of consultation and/or engagement with community.
2. Recommend to Council for adoption.
3. Monitor and review as and when required.

Bylaws

1. Develop and agree to the statement of proposal for new or amended bylaws for consultation.
2. Recommend to Council new or amended bylaws for adoption.

Consultation and engagement

1. Ensure appropriate, effective and transparent engagement with the community, tangata whenua and other stakeholders.
2. Conduct any public engagement required on issues before the Committee, in accordance with Council's Significance and Engagement Policy.
3. Conduct hearings, where appropriate, to consider submissions from members of the public and external organisations, making determinations on such matters unless they are reserved for Council to decide.

Submissions and legislation

1. Approve submissions to external bodies/organisations on legislation and proposals, related to the Committee's areas of responsibility, that impact governance policy or matters.
2. Monitor and oversee strategic projects and programmes.
3. Monitor Council's Asset Management Plans/Strategic Infrastructure Plan.

Contracts

1. Approve and monitor contracts and other legally binding arrangements provided that such contracts/arrangements:
 - a) Do not require the approval of the whole of Council; and
 - b) Fall within the budget approved under the Long Term Plan or Annual Plan and have a value exceeding the Chief Executive's financial delegation.

Other

1. Consider and make decisions which are within the Chief Executive Officer's delegations, and which the Chief Executive Officer has referred to the Committee for recommendation to Council.
2. Consider and make decisions on operational matters that fall within a Committee's area of responsibility that are outside of delegations to the Chief Executive Officer or other Council officers.
3. Commission new Committee reports and work required to respond to significant or compliance issues, or to complete the agreed programme of Council.
4. Monitor Audit recommendations and ensure completion.

Risk and Audit Committee

Clocktower Chambers,
Palmerston Street, Westport



12 July 2023 03:30 PM

Agenda Topic	Page
1. Apologies	10
2. Members Interests	11
3. Confirmation of Previous Minutes Report	12
3.1 Previous Minutes 14 June 2023	13
4. Action Points Report	21
4.1 Attachment 1 - Action Points	22
5. 30 June 2023 Audit Plan Report	24
5.1 Attachment 1 - A018 FY23 Buller DC Audit Plan	26
6. Audit Management Report	47
6.1 Attachment 1 - Audit Action Points	48
7. Proposal to Adopt an Asset Accounting Policy	55
7.1 Attachment 1 - Proposed Asset Accounting Policy	63
8. Strategic Risk Report to July 2023	73
9. Port and Dredge July 2023 Operations Report	79
10. Financial Performance Report to May 2023	83
10.1 Attachment 1 - Monthly Operational Report	88
11. Investments and Borrowings Report May 2023	91
12. RAC Workplan Report	101
12.1 Attachment 1 - RAC Workplan	102

13.	Projects in Partnership Report	103
13.1	Appendix 1 - Projects in Partnership Report NEMA Update	104
14.	Public Excluded Report	137
15.	PE: 30 June Annual Report Follow Up Issues Ernst & Young July 2023	138
15.1	PE: Attachment 1 - 12 July 2023 Follow Up EY Audit Fees	142
15.2	PE: Attachment 2 - Letter from Ernst & Young Regarding 2023 and 2024 Audits	153
16.	PE: Projects in Partnership - IAF Funded Projects	162
16.1	PE: Appendix 1 - IAF Report Minutes Update	163

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 1

Prepared by Douglas Marshall
Chief Financial Officer

APOLOGIES

1. REPORT SUMMARY

That the Risk and Audit Committee receive any apologies or requests for leave of absence from elected members.

2. DRAFT RECOMMENDATION

That there are no apologies to be received and no requests for leave of absence.

OR

That the Risk and Audit Committee receive apologies from *name* and accepts *name* request for leave of absence.

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 3

Prepared by Douglas Marshall
Chief Financial Officer

CONFIRMATION OF MINUTES

1. DRAFT RECOMMENDATION

That the Risk and Audit Committee receive and confirm minutes from the meeting of 14 June 2023.

MEETING OF THE RISK AND AUDIT COMMITTEE, HELD AT 3.30PM ON WEDNESDAY 14 JUNE AT CLOCKTOWER CHAMBERS, PALMERSTON STREET, WESTPORT.

PRESENT: S Roche (Chair), Mayor J Cleine, Councillors P Grafton, J Howard, C Reidy, T O'Keefe, A Pfahlert, G Neylon, R Sampson, L Webb, G Weston (via Zoom)

IN ATTENDANCE: S Judd (Acting CEO), D Marshall (Chief Financial Officer), M Williams (Acting GM Infrastructure Services), K Trigg (GM Community Services), L Brooks (Finance Manager), G Barrell (Governance Secretary)

MEETING DECLARED OPEN AT 3.50pm

1. APOLOGIES (Page 9)

Discussion:

N Tauwhare.

RESOLVED that the Risk and Audit Committee receive apologies from N Tauwhare.

Cr L Webb/Cr P Grafton

11/11

CARRIED UNANIMOUSLY

2. MEMBERS INTEREST (Page 10)

Discussion:

Nil

RESOLVED that Members disclose any financial or non-financial interest in any of the agenda items.

Cr L Webb/Cr A Pfahlert

11/11

CARRIED UNANIMOUSLY

DM A Basher arrived at 3.51pm

3. CONFIRMATION OF MINUTES (Page 11)

Discussion:

Nil

RESOLVED that the Risk and Audit Committee receive and confirm minutes from the meeting of 17 May 2023.

Cr C Reidy/Cr J Howard
12/12
CARRIED UNANIMOUSLY

4. ACTION POINTS (Page 21)

Discussion:

205 – Punakaiki Lease - M Williams updated they have engaged with WestReef to thoroughly investigate the effluent system to understand what is happening. Cleaning has been done and a report to come back to the September Risk & Audit Committee meeting.

208 – PIP Update Report - M Williams advised that a meeting was held with committee from Waimangaroa. New architect to relook at what is done and how to move forward. He raised a few concerns. A detailed report to come from him to give better detail and will come back to RAC. Mr Williams will send an email to committee communicating this. Update to come at July RAC.

RESOLVED that the Risk and Audit Committee receive the Action Point Report for information.

DM A Basher/Cr T O'Keefe
12/12
CARRIED UNANIMOUSLY

5. RISK AND AUDIT WORKPLAN (Page 24)

Discussion:

D Marshall advised the Ernst & Young Audit Plan for 2023 and fee proposals have arrived in past 10 days. These will come to July agendas.

RESOLVED that the Risk and Audit Committee receive the Risk and Audit Work Plan for information.

S Roche/Cr L Webb
11/1
Cr C Reidy against
MOTION CARRIED

Cr T O'Keefe left the meeting at 4.02pm

6. HEALTH AND SAFETY REPORT - AS AT 30 APRIL 2023 (Page 26)

Discussion:

S Roche advised this is an evolving report providing very useful information.

Comment was made that it is good to see health and wellbeing services available to staff.

S Judd advised the incidents required no intervention from external agencies. These are increasing; generally being dissatisfied people with fees, compliance, dog registrations etc.

Cr T O'Keefe returned at 4.03pm.

Cr L Webb left the meeting at 4.05pm.

RESOLVED That the Risk and Audit Committee receive the Health and Safety report for information as at 30 April 2023.

**Mayor J Cleine/Cr T O'Keefe
11/11
Cr L Webb not in the room
CARRIED UNANIMOUSLY**

Cr L Webb returned at 4.06pm.

7. BHL - FINANCIAL REPORT TO 31 MARCH 2023 (Page 30)

Discussion:

S Roche noted the ongoing challenges in achieving margins is evident with the \$661k surplus compared to \$403k. This is due to the economic environment WestReef are working in .

Mayor J Cleine noted they are very busy but often at the loss of margins that would have been traditionally had, noting factors such as employment costs rising.

There is a lot more work being done, but the margins are not showing the benefit of this increase in income. It was noted that they have budgeted very conservatively in a tough market.

Mr Cleine noted that the holdings company is critical in our ability to offset rates. The level of service and responsiveness is very important to the district and council.

RESOLVED that the Risk and Audit Committee receives the three quarterly Financial Report for the period ending March 2023 for information.

**Mayor J Cleine/Cr P Grafton
12/12
CARRIED UNANIMOUSLY**

**8. MONTHLY FINANCIAL PERFORMANCE REPORT – as at 30 April 2023
(Page 47)**

Discussion:

D Marshall advised that wages and running costs of PMO will be recovered against activities.

Cr P Grafton left the meeting at 4.12pm.

Cr P Grafton returned at 4.14pm.

A question was raised as to why the Year to Date of \$505k and Year End forecast of \$234k were not in sync.

L Brooks to check this and will provide an update.

S Roche advised that the \$72k negative variance for wastewater costings was because the figure is for a full year prediction.

L Brooks to check this and confirm.

Cr G Neylon left the room at 4.22pm and returned at 4.23pm.

RESOLVED That the Risk and Audit Committee receive the Operational Performance report to 30 April 2023 for information.

Cr G Neylon/Cr L Webb

11/1

Cr C Reidy abstained

MOTION CARRIED

9. INVESTMENTS AND BORROWINGS – As at 30 April 2023 (Page 53)

Discussion:

D Marshall noted that this report is only part of the Financial Strategy not the whole thing.

S Roche clarified that, for the reader of the report, having a commentary of the Financial Strategy i.e. the borrowings etc, could help them to be more informed. S Roche to discuss with D Marshall.

RESOLVED that the Risk and Audit Committee receive the Investments and Borrowings report as at 30 April 2023 for information.

Cr C Reidy/Cr A Pfahlert

12/12

CARRIED UNANIMOUSLY

10. OUTSTANDING DEBTORS REPORT 30 APRIL 2023 (Page 65)

Discussion:

S Roche noted through discussion with D Marshall that there is work being done to improve debt recovery in various ways.

Concern was expressed regarding the \$800k in overdue rates. Ms Brooks clarified this data.

Mr Marshall explained that rate payers which have a mortgage are under obligation to the bank to pay rates

Mayor J Cleine departed the room at 4.37pm and returned at 4.40pm.

RESOLVED that Risk and Audit Committee receive the Debt Recovery report as at 30 April 2023 for information.

DM A Basher/Cr P Grafton
12/12
CARRIED UNANIMOUSLY

11. RESERVE FUND CONTRIBUTIONS INFORMATION PAPER – as at 30 April 2023 (Page 72)

Discussion:

A question was raised regarding the 2023 YTD Debtors Received totals. L Brooks to check and advise councillors.

Regarding the Karamea Subcommittee water supply, a question was asked as to where the funding came from. L Brooks advised it was likely from the Better off Funding and not Reserves. S Roche requested more analysis on this.

Ms Roche also requested this report comes back next month and with updates addressed.

Cr R Sampson to contact staff regarding Karamea Domain issues.

A request was made for a breakdown of buildings community facilities.

ACTION POINT: Paper to be brought back to next RAC with updates.

RESOLVED that the Risk and Audit Committee receive the Reserve Fund Contributions information paper as at 30 April 2023.

Cr C Reidy/Cr A Pfahlert
12/12
CARRIED UNANIMOUSLY

12. PROJECTS IN PARTNERSHIP UPDATE REPORT (Page 74)

Cr R Sampson left the room at 4.56pm

Flood Recovery 1-5 - When asked, if under budget, what happens with the surplus, Mayor J Cleine advised it has been confirmed that any surplus can be reapportioned to another project within the bundle, subject to approval. The highest risk project is wharf repair and rebuild. It is likely the surplus will be put there.

3 Waters Stormwater and Drainage - Not all pump stations will fit into this project. The package for lifting the stations is out for tender currently and will give an idea of costs and if the budget is sufficient.

Wharf Repair - Still in design stage with completion scheduled around mid-year 2024.

Tiphead - This project is now completed and came in under budget.

Reefton Stopbank - Closed in May.

Reefton Historic Landfill - This is progressing and will be retrospectively getting Resource Consent.

Recommendation was made to put this on the Strategic Risk Register given the type of rock that has been used. All landfills near waterways being put on the Risk Register is the recommendation from D Marshall.

DM A Basher reminded that risk analysis is to mitigate risk; not eliminate. Reasonable mitigation is what we have.

Mayor J Cleine reiterated that this is also for flood resilience in Westport. Elimination is not really possible, just mitigation. There are no guarantees.

Better Off Funding - Nine projects have been approved by DIA. The fund will cover \$52k for the Karamea Water.

\$100k was left over from smoke testing. This was reallocated to critical water.

RESOLVED That the Risk and Audit Committee receive the Projects in Partnership Update Report for information.

DM A Basher/Cr J Howard
12/12
CARRIED UNANIMOUSLY

13. PUBLIC EXCLUDED REPORT (Page 121)

RESOLVED that the public be excluded from the following parts of the proceedings of the meeting.

Item No.	Minutes/Report of:	General Subject	Reason For Passing Resolution under LGOIMA
14	Sean Judd Acting Chief Executive	PIP IAF Funded Project	<p>(s 7(2)(c)(i)) - Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would:</p> <p>Be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied;</p> <p>(s 7(2)(i)) - enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>

Cr G Neylon/Cr A Pfahlert
12/12
CARRIED UNANIMOUSLY

RESOLVED that the Risk and Audit Committee move out of Public Excluded and the information released to public be noted as above.

S Roche/DM A Basher
12/12
CARRIED UNANIMOUSLY

- There being no further business the meeting concluded at 5.35pm.
- **Next meeting:** 12 July 2023, Clocktower Chambers, Westport

Confirmed: **Date:**

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 4

Prepared by Douglas Marshall
Chief Financial Officer

Attachment 1 Action Points

ACTION POINTS

1. DRAFT RECOMMENDATION

That the Risk and Audit Committee receive the Action Point report for information.

RAC Action Points - CURRENT

No.	Meeting Of / Action Point	Responsible	Update:	Date Required By:
205	<p>14 Dec 2022 Punakaiki Lease Bring report to RAC re Punakaiki Lease</p>	<p>K Trigg/M Williams</p> <p>D Marshall</p>	<p>The report on the Punakaiki lease covers a number of matters including</p> <ul style="list-style-type: none"> • The current lease arrangement • Future development of the campground by the lessee • Operation of the wastewater effluent site for the campground <p>This last bullet point requires a review of different options which is taking a little bit longer to complete.</p> <p>Staff will give verbal updates over the next couple of meetings until a final options report can be prepared for the Committee consideration</p> <p>Needing to look at proposals and also rate payer costs. Further update to be provided to April 2023 RAC Meeting</p> <p>PUBLIC EXCLUDED:</p> <p>The CFO has advised that this report will better be addressed by full Council and will be moved to September Council Agenda Action Points and removed from this Committee's Action Points report</p>	<p>15 Feb 2023</p> <p>19 April 2023</p> <p>14 June 2023</p> <p>27 Sept 2023 Full Council</p>
208	<p>22 March 2023 PIP Update Reports To will confirm regarding the final sign off costs for Waimangaroa Hall and what else needs to be done funding wise.</p>	<p>K Trigg/D Marshall</p>	<p>The Waimangaroa Hall received funding from the Kanoa Regional Economic Development and Investment Unit for a kitchen upgrade. This fund was aimed at lifting economic activity after the Covid shutdown.</p> <p>This project has been completed but while completing it, further work was identified as necessary. Most of that work was completed at the time but some remains. This unfinished work is of a nature where a certificate of public use for the hall has not been issued as of yet.</p>	<p>19 April 2023</p>

RAC Action Points - CURRENT

No.	Meeting Of / Action Point	Responsible	Update:	Date Required By:
		<p>K Trigg/D Marshall</p> <p>M Williams</p>	<p>Council staff are currently awaiting a scope of works to be costed which can then be undertaken to allow the certificate of public use for the hall to be issued and the hall to be used again. A report provided to Kanoa in January 2023 is included on this agenda to provide background information - See Attachment 1</p> <p>Once the costed scope of works is available, a further report will be provided to the council so that funding can be identified for the necessary work to be undertaken.</p> <p>Further report to come to June RAC meeting.</p> <p>M Williams advised that a meeting was held with committee from Waimangaroa. New architect to relook at what is done and how to move forward. He raised a few concerns. A detailed report to come from him to give better detail and will come back to RAC. Mr Williams will send an email to committee communicating this. Update to come at July RAC.</p>	<p>14 June 2023</p> <p>12 July 2023</p>
215	<p>17 May 2023 Reserves Fund Contribution Information Paper Paper to be brought to next RAC with updates</p>	D Marshall	Papers for this will be distributed prior to the meeting on 12 July.	12 July 2023

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 5

Prepared By: Neil Engelbrecht
Financial Accountant

Reviewed By: Douglas Marshall
Chief Financial Officer

Attachment 1: Buller District Council Audit Plan for the year ended 30 June 2023

30 JUNE 2023 AUDIT PLAN REPORT

1. REPORT PURPOSE

Attached to this report is the Audit Plan issued by Ernst & Young for the year end 30 June 2023.

2. DRAFT RECOMMENDATION

That the Risk & Audit Committee receive the follow up report relating to the Ernst & Young audit plan for the year ended 30 June 2023.

3. BACKGROUND

Before the commencement of each audit, the auditors compile an Audit Plan report to Council to outline the scope of the Audit and, communicate planning materiality, changes to accounting standards to note and the key areas of audit focus. A copy of this report is attached as Attachment 1.

Ernst & Young issued their Audit Plan for the 2023 financial year audit to Council for consideration.

Ernst & Young set their planning materiality at \$931k.

The six key areas of audit focus are:

- Infrastructure assets (High risk)
- Integrity of the rates strike, rates invoicing and collection (Medium risk)
- Grants and subsidies (Medium risk)

- Non-financial performance reporting (Medium risk)
- Debt (Low risk)
- Operating expenditure, including sensitive expenditure, payroll, procurement and tendering (Low risk)

There were two new accounting standards noted in the report, being FRS 48 Service Performance Reporting and PBE IPSAS 41 Financial Instruments. Council is currently busy assessing the impact of the new standards on the annual report and related disclosures.

Ernst & Young also indicated in their report that there has been a revision of an auditing standard, ISA (NZ) 315 Identifying and Assessing the Risk of Material Misstatement. The effects are far reaching, particularly in the risk assessment of the IT environment, which will result in more detailed audit procedures being performed over Council's IT environment and databases.

5. CONSIDERATIONS

5.1 Strategic Alignment

Not relevant to this report.

5.2 Significance Assessment

Not relevant to this report

5.3 Tangata Whenua Considerations

The decision does not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value. Therefore, this decision does not specifically impact Tangata Whenua, their culture, and traditions.

5.4 Risk Management Implications

Receiving this paper and acting on the recommendations will improve Council's risk management in a number of areas.

5.5 Policy Framework Implications

None identified.

5.7 Legal Implications

There are no legal implications with this report and the recommendations.

5.8 Financial / Budget Implications

The majority of the work outlined in this report can be undertaken using Council staff resources.

5.9 Consultation Considerations

There is no consultation with the public required.

Buller District Council

Audit Plan for the year ended
30 June 2023

Issued: 26 May 2023

WELCOME



Dear Audit and Risk Committee Members

We are pleased to present our Audit Plan ("Plan") for the audit of the financial statements and performance reporting of Buller District Council ("BDC" or "the Council") for the year ended 30 June 2023. This Plan outlines the scope of our services, identifies Ernst & Young ("EY") professionals that will serve you and presents our understanding of some key considerations that will affect the 30 June 2023 audit.

We conduct our audit in accordance with the Auditor General's auditing standards which incorporate International Standards on Auditing (New Zealand). Our audit will be conducted to provide reasonable assurance that the financial statements and service performance information for the year ended 30 June 2023 are free of material misstatement.

Our Plan has been prepared based on our understanding of BDC and the local government sector. We have considered, and will continue to consider, BDC's current and emerging operating risks, assess those that could materially affect the financial statements and performance reporting and align our procedures accordingly. The Plan will be responsive to your needs and will maximise audit effectiveness, so we can deliver the high quality audit you expect.

This report is intended solely for the use of the Risk and Audit Committee ('the Committee'), other members of Council and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent. This report should be presented in a confidential section of the Risk and Audit Committee and Council meeting.

Should you have any questions or comments, please do not hesitate to contact us on 027 489 9939 (Brendan) or 027 489 9548 (Iain).

Yours faithfully



Brendan Summerfield
Partner



Iain Wood
Associate Director

CONTENTS

02 Executive Summary

03 Areas of Audit Focus

Infrastructure assets	03
Integrity of rates strike, rates invoicing and collection	04
Grants and subsidies	05
Non-financial performance reporting	06
Debt	07
Operating expenditure, payroll, procurement and tendering	08

09 Audit Approach

ISA (NZ) 315	10
Internal control environment	11

12 Your EY Team

13 Engagement Execution

14 Appendices

A. Independence	15
B. Data Security	16
C. Focused on Your Future	17

AREAS OF AUDIT FOCUS

6

Key areas of focus where there are potential risks and exposure



The areas of audit focus and level of complexity or management judgement applied are:

- ▶ Infrastructure assets HIGH
- ▶ Integrity of rates strike, rates invoicing and collection MEDIUM
- ▶ Grants and subsidies MEDIUM
- ▶ Non-financial performance reporting MEDIUM
- ▶ Debt LOW
- ▶ Operating expenditure, payroll, procurement and tendering LOW

AUDIT APPROACH



The revisions to the auditing standard on risk assessment (ISA (NZ) 315) are effective for the current period audit. We have outlined the effects of these revisions on page 10.

We plan to take a substantive approach in areas of significant management judgement or where this has been assessed as more efficient or effective. Refer to page 11 for a summary of all significant processes identified.

ENGAGEMENT TEAM

We understand our team is an important element of your relationship with us. Brendan Summerfield will continue to lead the engagement as audit partner and will be supported by Grant Taylor as independent partner and Iain Wood as audit director.

PLANNING MATERIALITY

\$931K



Our materiality threshold has been set at 3% of Council's Total Operating Expenditure as forecast for 2023 in the Long Term Plan. We will report to the Risk & Assurance Committee errors of more than \$47k. This will be updated at year end if actual Operating Expenditure differs materially from the LTP.

Materiality will be set individually for each significant performance measure selected for testing.

INDEPENDENCE



We will confirm our independence throughout the audit and remain in compliance with *NZ: NZICA Code of Ethics and the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) independence requirements* and the Auditor General's independence requirements.

We are engaged to audit the financial statements and performance information of BDC on behalf of the Auditor-General. The Auditor-General has confirmed our appointment for the years 2022-2025.

ENGAGEMENT SCOPE AND FEE



We are currently in discussion with the Office of the Auditor-General in regards to our draft Audit Proposal Letter for the 2023, 2024 and 2025 financial years. We will communicate our draft APL with management once available and provide the Committee with a verbal update on progress.

We have agreed with the OAG that we will not set an audit fee for 2025 at this time as there remains significant uncertainty in regards to the outcome of the Government's Three Waters legislated changes.

We regularly engage with management as part of our audit planning and execution. We have set out on page 13 a summary of our communications and deliverables throughout the 2023 audit.

We will also continue to liaise with management in relation to the preparation of the 2024 to 2034 Long-Term Plan and our audit responsibilities. Where practical, we would like to progress our audit of the LTP in a timely manner in November and December 2023.

Infrastructure assets

Our understanding

Infrastructure assets is the most significant balance on Council's balance sheet with a 30 June 2022 carrying value of \$410m (2021: \$352m).

Assets	2022 (\$m)	2021 (\$m)
Roading network	294.1	255
Three Waters	85	70
Other infrastructure assets*	30.9	27
Total value	410	352

*Includes Landfill Asset, Work in Progress and Land under roads, recorded at cost.

Infrastructure assets (roading network and Three Waters) are formally revalued, at a minimum, every 3 years by an independent third party, Beca, on a depreciated replacement cost basis (assuming carrying value materially reflects fair value). The latest valuation (including all roading and Three Waters assets) was as at 30 June 2022. Land under roads is held at deemed cost, based on fair value at 30 June 2005 and is no longer measured at fair value.

Management will need to complete a formal assessment of any changes in fair value for the year ended 30 June 2023 and appropriately consider any required fair value assessments.

There is a risk that the useful life assumptions used in the valuations are not reflective of up to date information maintained in the Council's Asset Management Plans.

The integrity of the classification of maintenance and/or capital expenditure is important from the perspective of correct classification in the financial statements and in terms of improving asset condition and therefore extending the expected useful life.

The Three Waters reforms continue to progress and information continues to be released by central government as time elapses to the expected transition date of 1 July 2025.

Planned Audit Approach

- ▶ For infrastructure assets that will not be revalued this year, we will review management's assessment of the assumptions underlying the previous valuation to check if values remain appropriate based on current data.
- ▶ Examine management's assessment for significant asset indicators of impairment and any resultant write-down of the Council's infrastructure assets.
- ▶ For infrastructure assets that will be revalued this year, we will review the completed valuation for appropriateness and obtain a reliance letter from the independent valuer engaged by the Council. In particular, we will review key inputs to the valuation and consider valuation techniques for appropriateness.
- ▶ Review that the information provided to the valuer to assess the appropriateness of data used in the valuation and if this is reflective of the data in Council's registers.
- ▶ Review the fixed asset reconciliation of underlying data to the general ledger with a focus on significant additions and disposals during the year.
- ▶ Examine the appropriateness of depreciation against the estimated useful lives in the Council's accounting policies. We will also consider the useful lives included in the most recent valuations.
- ▶ Assess, on a sample basis, the appropriateness of work in progress (WIP) cut-off at balance date, if material, and confirm the carrying value of WIP is supportable in relation to both valuation and that the nature of the costs are in line with PBE IPSAS 17.
- ▶ Assess, on a sample basis, the accounting for significant additions and disposals of assets during the year.
- ▶ Maintain a watching brief on the progress made by central government in relation to reforms and ownership change to Three Waters. We will work with Council to ensure appropriate disclosures are included in the financial statements.

Key Judgements :

Relevant accounting standards: PBE IPSAS 17 Properties, Plant and Equipment

Level of complexity or management judgement: **HIGH**



Medium Risk Focus Areas

Integrity of rates strike, rates invoicing and collection

Our understanding

Rates income levied represents a significant revenue source for the Council. There is specific legislation in place which must be adhered to for the rates strike to be legal. Failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue.

In NZ \$million	30 June 2022 (\$m)	30 June 2021 (\$m)
General rates (incl. Uniform AGC)	9.4	8.6
Targeted rates	6.6	6.3
Rates Penalties	0.1	0.1
Total rates revenue	16.1	15.0

The requirement for there to be consistency between the rates resolution, Funding Impact Statement and the Finance Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by the Council, forming the core of the Council's revenue.

The accuracy of a rates strike is dependent on the integrity of the rates database. The reliability of the rates billing system is also key to ensure rates are billed appropriately.

Recent legal challenges against certain local authorities have identified a range of issues relating to the legislative compliance and, therefore, legality of rates sought.

Planned Audit Approach

- ▶ Obtain an understanding of the Council's rating structure and review the Council's rates resolution for the financial year and its linkage to the Long Term Plan.
- ▶ Review the Council's procedures for ensuring the rates set are compliant with the Local Government Rating Act and test that the rates set are being applied appropriately to the rating database and invoiced accordingly.
- ▶ On a sample basis, we will undertake a review of billing to specific ratepayers and subsequent collection.
- ▶ Certain rate paying groups represent a higher collection risk. We will examine any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances.

Key Judgements:

Relevant accounting standards: *PBE IPSAS 23 Revenue from Non-Exchange Transactions*

Level of complexity or management judgement: **MEDIUM**

Grants and subsidies

Our understanding

The Council receive a recurring Waka Kotahi funding to subsidise costs associated with local roads. The funding assistance rate is typically fixed percentage with higher amounts being available in certain circumstances such as for emergency works.

Significant other Grant funding has historically been received from Department of Internal Affairs (DIA), Ministry of Business Innovation & Employment (MBIE) and the Provincial Growth Fund (PGF).

Council recognises a liability for funding received in advance until work is conducted and objectives met ahead of revenue being recognised. Where elements of the work is outsourced and the Council will transfer those funds in advance to the third parties and recognise a prepayment until they receive support for the expenses being incurred and then release the revenue accordingly.

Details of significant Grants and Subsidies and their financial statement impact in the year ended 30 June 2022 are noted below:

Grant / Subsidy Type	Revenue (\$M)	Revenue in advance (\$M)
Flood recovery funding	10.7	
Transportation	3.2	
3 Waters	2.8	
Other Grants and Subsidies	8.6	
Total Subsidies and Grants	25.3	3.6
Fees and charges	5.5	
Total	30.8	3.6

Planned Audit Approach

We will perform the following audit procedures in order to validate the revenue during the year and liability positions recognised as at year end:

- ▶ Obtain and review funding agreements for significant grants and subsidies to understand revenue recognition principles and any clawback obligations implicit in the agreements.
- ▶ For contracts requiring regular progress reporting, we will obtain the most recent communication with the provider to understand project status and whether estimated completion is on schedule.
- ▶ For Waka Kotahi claims, on a sample basis, obtain the invoice and reconcile to the approved claim in the Waka Kotahi | NZTA Portal.
- ▶ For other grants, agree the receipt of funds to Council bank statements and assess whether Council met the performance obligations included within the funding contract in order to recognise the revenue.
- ▶ We will check underlying costs, on a sample basis, to supporting documentation to verify that Council is claiming expenditure that is relevant to the requirements of the agreement.
- ▶ Assess significant expenditure either side of balance date to ensure expenditure and corresponding positions are recognised in the appropriate period.
- ▶ For Grants receivable at year end, obtain the invoice and evidence of subsequent receipt.

Key Judgements: Appropriateness and measurement of costs included in claim, Funding Assistance Rates applied within the claim

Relevant accounting standards: [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)

Level of complexity or management judgement: MEDIUM



Non-financial performance reporting

Our understanding

The Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a “performance story” to the community.

Our audit opinion on the service performance report covers compliance with generally accepted accounting practice and whether or not the service performance report fairly reflects the Council’s actual service performance for the period.

Council is required to report on mandatory measures in relation to drinking water, as governed by DIA. Historically, independent drinking water assessors have performed audits of sufficient regularity to support audit procedures for reporting in the annual report. Taumata Arowai became the water services regulator in November 2021 and removed this requirement. In addition, new Drinking water Quality Assurance Rules, Drinking Water Standards and Aesthetic Values came into effect in November 2022. The impact on the FY23 performance measures is yet to be fully assessed, with guidance to Councils and their Auditors expected later in FY23.

We understand Council intends to use a mix of independent drinking water assessors (Part 4) and also utilise its internal monitoring tools and lab (Part 5) to assess compliance with the drinking water standards under both standards which are applicable during the financial year.

There is a risk of inadequacy of reporting systems to monitor performance and hence the potential failure to adequately report the provision of core utility services to the public.

PBE FRS 48 *Service Performance Reporting* standard is effective for this financial year. Refer to page 17 for more detail. Management will have to complete an impact assessment and update their pro-forma annual report.

Planned Audit Approach

- ▶ Our audit procedures will focus on assessing completeness and effectiveness of the Council’s non-financial performance reporting.
- ▶ Update our understanding of key performance reporting processes and review methodologies applied by the Council.
- ▶ Assess, on a sample basis, the measures have been accurately reported on and outputs have been achieved where stipulated.
- ▶ Review mandatory performance measures stipulated by the Non-Financial Performance Measures Rules 2013 and ensure all required measures have been appropriately included in the Council’s reporting.
- ▶ Review independent assessment of Drinking water standards to ensure the scope of the assessment appropriately complies with standards reported against in the mandatory performance measures. We will also ensure the disclosures in relation to these measures are appropriate given the change to standards which have occurred during the year.
- ▶ Provide feedback on the overall annual report and the summary annual report.

Key Judgements:

Selection of measures relevant to reporting non-financial performance: **LOW**

Low Risk Focus Areas

Debt

Our understanding

At 30 June, 2022, the Council had drawn down approximately \$33.2m of debt through a \$20m facility with the Local Government Funding Agency (LGFA) and a \$14m facility with Westpac.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the reporting certificates.

Planned Audit Approach

- ▶ Obtain an understanding of debt facility agreements maintained in the year and review the relevant debt facility agreements including the process for managing drawdowns.
- ▶ Obtain evidence supporting any changes to Council's borrowing obligations and limits with LGFA.
- ▶ Consider the term or current classification of the debt.
- ▶ Obtain LGFA confirmation of the outstanding debt position at year end.
- ▶ Complete procedures required of us by the debenture trust deed, including reporting to the Trustee based on the work performed and whether anything has come to our attention that indicates the statements made in the reporting certificates issued by the Council are materially misstated

Key Judgements:

Relevant accounting standards: [PBE IPSAS 28 Financial Instruments: Presentation](#), [PBE IPSAS 29 Financial Instruments: Recognition and Measurement](#), [PBE IPSAS 30 Financial Instruments: Disclosures](#)

Level of complexity or management judgement: **LOW**



Operating expenditure, including sensitive expenditure, payroll, procurement and tendering

Our understanding

Appropriateness of Councillor and management expenditure is an area of interest to ratepayers.

Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit.

The Council's capital works programme involves significant cash spend. The Council has a range of policies that seek to ensure procurement is managed in the best interests of the Council.

- ▶ OAG's controlling sensitive expenditure guidelines for public entities require expenditure decisions to:
 - ▶ Have a justifiable business purpose
 - ▶ Be cost-effective
 - ▶ Preserve impartiality
 - ▶ Be made with integrity
 - ▶ Be moderate and conservative, having regard to circumstances
 - ▶ Be made transparently
 - ▶ Be appropriate in all respects

It is important robust procurement processes are utilised especially for long term, high value contracts. The OAG published another good practice guide in June 2020 called *Managing conflicts of interest: A guide for the public sector which assists public entities in identifying and managing conflicts of interest throughout operations*.

Remuneration of Councillors and those in leadership roles is also an area of interest.

Planned Audit Approach

- ▶ Examine, on a sample basis, the use of credit cards and obtain assurance that expenditure has been incurred for a reasonable Council purpose.
- ▶ Assess the application of the procurement policy across a sample of contracts. This will include the Council's consideration and management of conflicts of interest.
- ▶ For a sample of expenses, complete testing to check if the expenditure is appropriate against the Council's policy and best practice guidelines issued by the OAG.
- ▶ Obtain assurance that appropriate processes over operating expenditure and Councillors' allowances are in place.

Key Judgements: Appropriateness of the nature of spending.
Relevant standards: *Managing conflicts of interest: A guide for the public sector which assists public entities in identifying and managing conflicts of interest throughout operations*
Level of complexity or management judgement: LOW

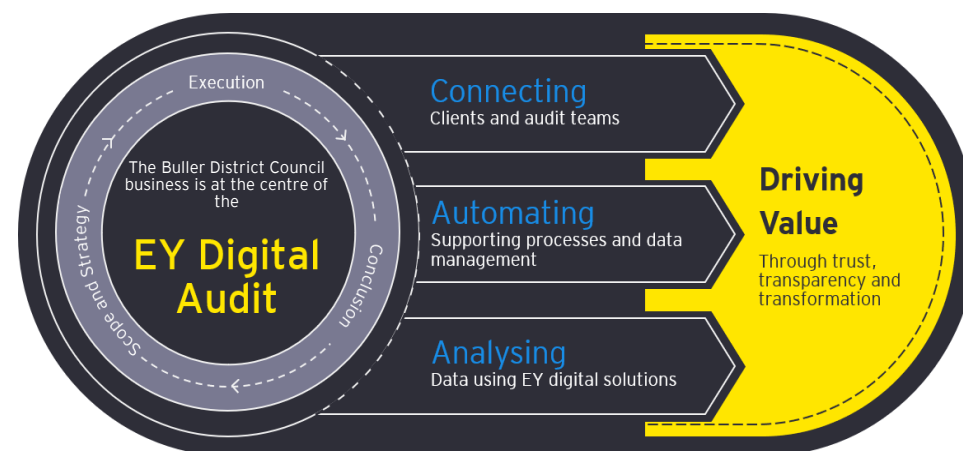


Digital Audit Approach

Your purpose built digital audit for now, next and beyond

Digitalisation continues to be one of the most important drivers of transformation, especially in these changing times. The effects of the COVID-19 pandemic have disrupted the normal accounting and reporting cycle for many companies and accelerated the digitalisation of working environments. It is even more critical now for companies to share trustworthy and readily available financial information for stakeholders.

- ▶ Buller District Council stakeholders rightfully demand audits of the highest quality.
- ▶ Buller District Council want to ensure that audits are leveraging your latest investments in systems, technology and data.
- ▶ Buller District Council want greater transparency of the audit process.
- ▶ Buller District Council expects its auditors to ask meaningful and insightful questions about your data throughout the audit.

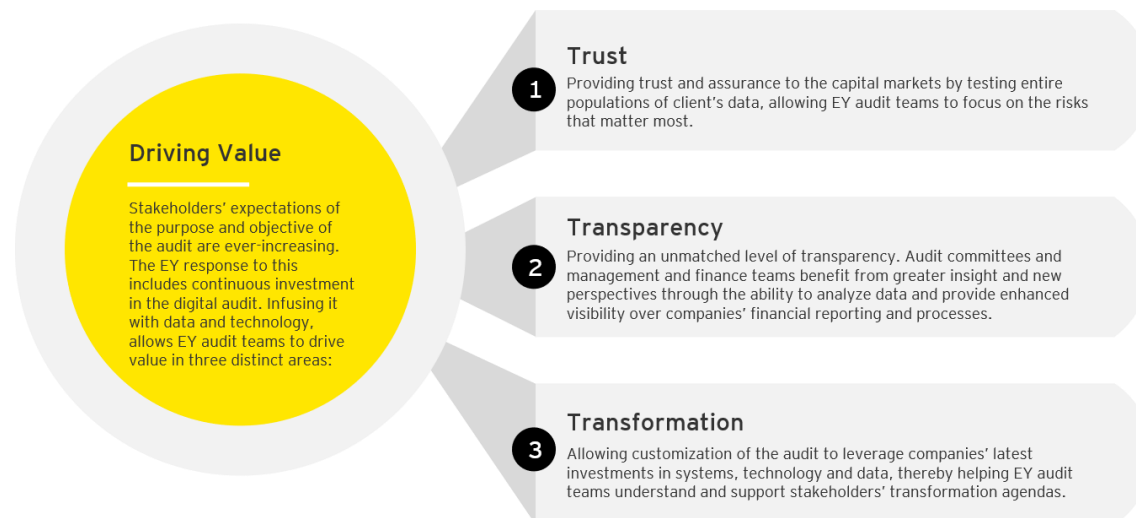


Data-driven Audit

To meet the expectations of stakeholders, regulators and clients of a modern audit, EY has invested over a \$1bn in new technology, revolutionising our professional practice and approach to digital audit.

With the EY Digital Audit analysing large or full sets of data from our clients' data population, we are responsive to the changing risk profiles of our clients.

The EY Digital Audit improves the way our auditors look at risk, reduces management burden in supporting the audit and provides new insights to improve Buller District Council's finance processes.





ISA (NZ) 315: identifying and assessing the risks of material misstatement

Revised ISA (NZ) 315 - Impact on the 2023 Council Audit

Summary of Key Changes

The revisions to the auditing standard on risk assessment (ISA (NZ) 315) are effective for the current period audit. The effects are far-reaching, particularly in our risk assessment of the IT environment. The following are the main areas of the revisions.

1 Understanding the IT Environment, including IT General Controls

- ▶ Regardless of whether we plan to rely on controls, new requirements to:
 - ▶ Understand the IT environment (applications, infrastructure and IT processes) that support key business processes.
 - ▶ Identify specific IT risks, and evaluate design and implementation of management's IT general controls ("ITGCs") that address those risks.

2 Evaluation of Internal Control

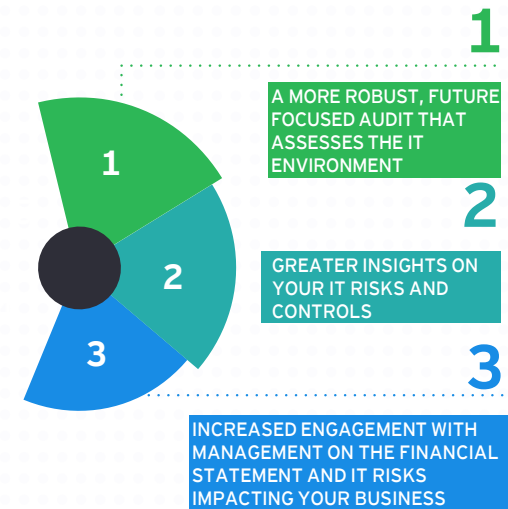
- ▶ Procedures to obtain an understanding of and evaluate internal control to extend beyond enquiry and include observation and inspection.
- ▶ This will include understanding whether those charged with governance have created and maintained a culture of honesty and integrity.

So What Does this Mean?

We have upskilled our people, invested in technology and expanded our audit programs to respond to these incremental changes to auditing standards.

We stay focused on the risks that impact your business and provide feedback and insights to management and the Board.

We have considered the incremental audit effort in setting our fee in the 2023-2025 Audit Proposal Letter.



How the Council's Audit is Impacted

This table summarises the key changes to the audit of the Council for the year ending 30 June

Significant Class of Transaction	Application	Assessment of Impact
Financial statement close process	MagiQ	Moderate
Purchase to pay	MagiQ	Moderate
Rates setting and collection	MagiQ	Moderate
Payroll	MagiQ	Moderate
Infrastructure asset management	MagiQ, RAAM, Asset Finder	Moderate
Non-financial Performance Reporting	Various	Low

Key

- New requirement to identify and evaluate design and implementation of IT controls.
- Substantive audit strategy, requirement applies to *minimum* relevant controls only.
- IT controls reliance achieved or not applicable for considerations due to manual process.



Internal Control Environment

The primary responsibility for the design and operating effectiveness of the internal control environment, including the prevention and detection of fraud and error, rests with those charged with governance and management.

We obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control to you. Our assessment of internal controls covers:

- ▶ The control environment including entity level controls
- ▶ BDC’s risk assessment procedures
- ▶ The design and operating effectiveness of internal controls (including IT general controls)
- ▶ Monitoring of controls (internal audit and self-assessment)

We provide management with a report on control findings during the audit process, outlining our findings and our recommendations on where improvements in internal controls can be made. Where significant deficiencies come to our attention, we will communicate these to the Committee.








Assessing the Risk of Fraud

Our responsibility as the external auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Audit Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).

Audit Strategy

Set out below is the audit strategy and level of controls reliance we expect to achieve over the key financial statement process. In combination with the IT Strategy outlined on the previous page, this is deemed the most effective and efficient audit strategy for the Council.

Process	Audit Strategy
Financial statement close	
Expenditure and accounts payable	
Payroll and related employee entitlements	
Rates setting and collection	
Infrastructure asset management	
Non-financial performance reporting	
Grants and Subsidies	

Your EY Team

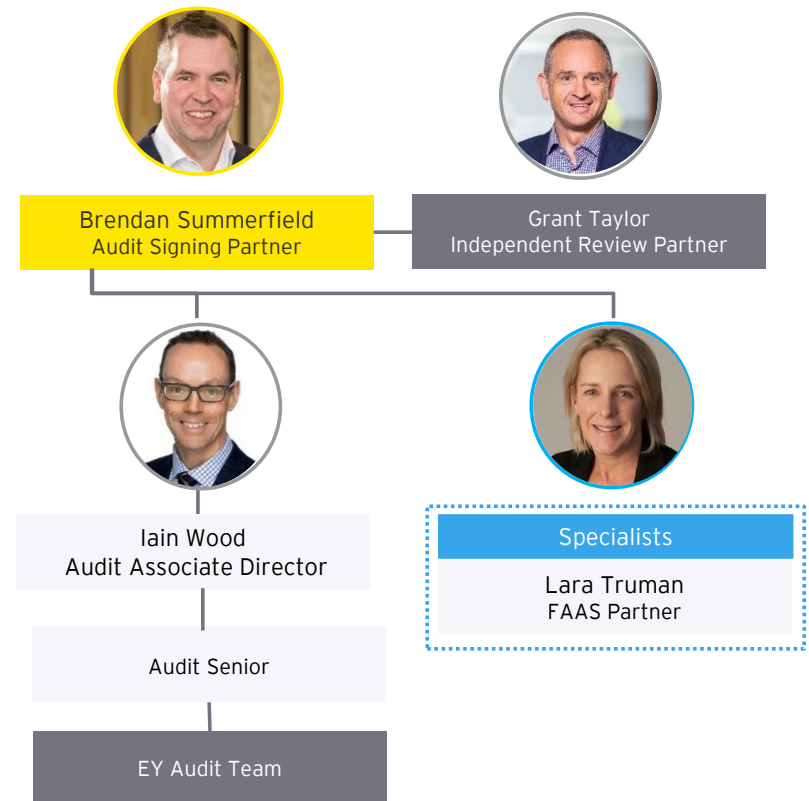
We understand that our team is the most important element of your relationship with us. Brendan Summerfield will continue as signing partner on behalf of the Office of the Auditor-General. Brendan will be supported by Grant Taylor as independent review partner and Iain Wood as audit director. The team will be supported by Lara Truman, a technical accounting partner with a focus on PBEs and IPSAS reporting.

Our team provides BDC with previous Council and public sector experience to your audit. In addition, we utilise appropriate subject matter experts to support the audit i.e. Financial Accounting Advisory Services (“FAAS”) team to assist us in addressing the financial accounting risks. These combined factors enable us to focus on the significant issues facing your business.

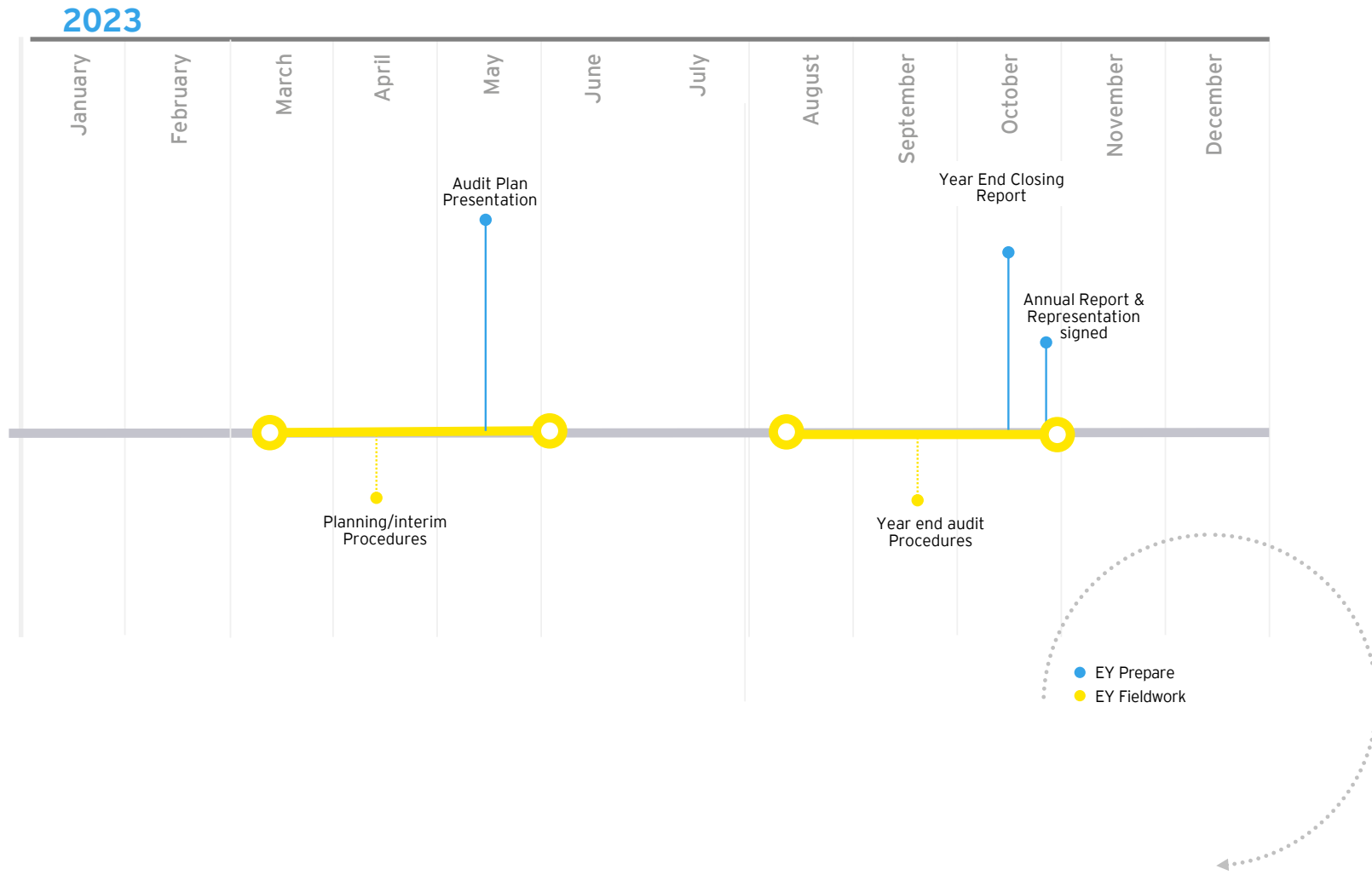
Throughout our audit process, Brendan and Iain will attend the Risk and Assurance meetings, primarily through Zoom, and are available to meet the Committee or the Council at any time during the year. Brendan is available to discuss any matters with the Risk and Assurance Committee Chair prior to each meeting.

Team Rotation




We believe that the periodic rotation of the key decision makers on the audit assists with maintaining our independence and bringing a fresh view. We actively plan rotation well in advance of the required rotation period to ensure that you benefits from a smooth transition. Brendan will not be due to rotate off BDC until after the 2027 audit.



Engagement Execution



APPENDICES

- A. Independence

14
- B. Data Security and Privacy

15
- C. Focused on Your Future

16

A. Independence

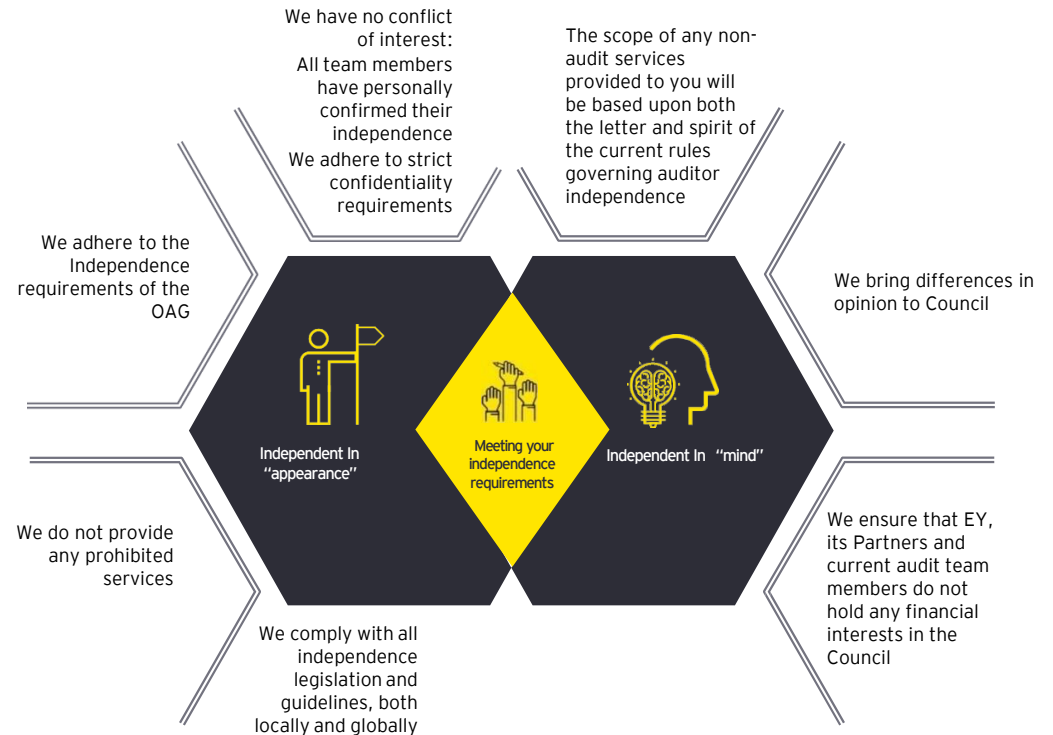
Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet independence requirements.

We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ PES 1 *Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- ▶ Independence requirements of the Office of the Auditor-General

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

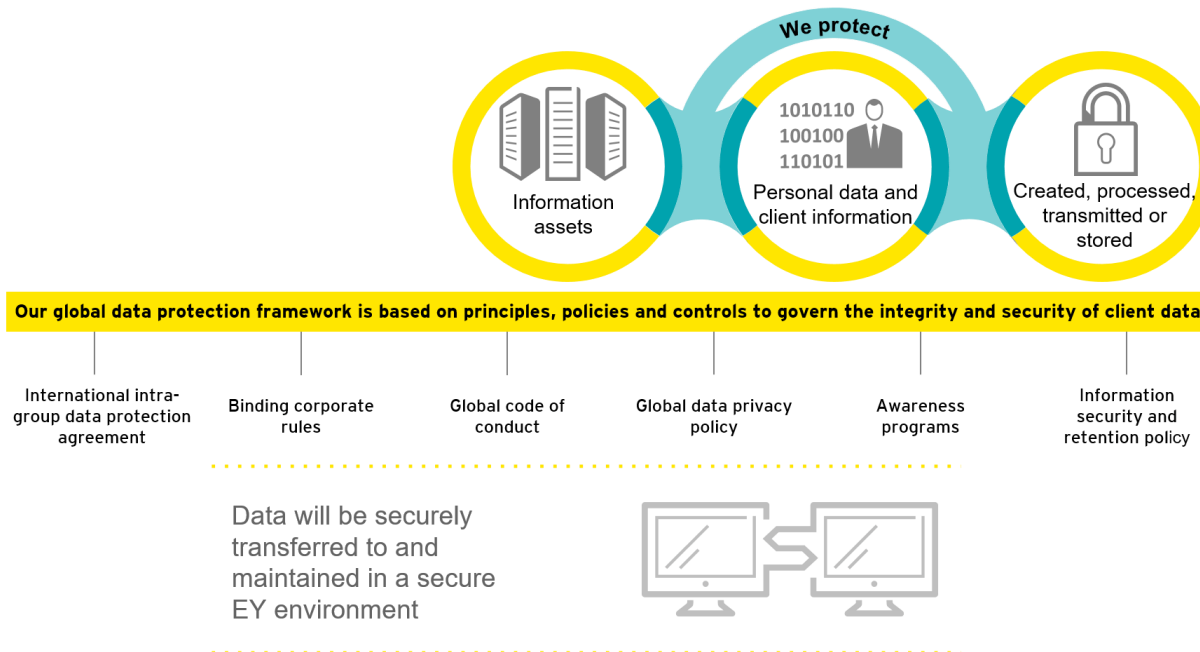
There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Risk & Assurance Committee.



B. Data Security and Privacy

Our ability to provide seamless, consistent, high-quality client service worldwide is supported by a well-articulated data privacy and information security strategy. For the audit of Buller District Council the following applies:

- ▶ Access to EY Canvas is restricted to members of the engagement team only.
- ▶ Audit relevant information is transferred to EY securely via EY Portal or email.
- ▶ More sensitive personal data is loaded into Helix Subledger Analyzers for each component, access is therefore restricted to the relevant component team only.
- ▶ Less sensitive journal entry data is loaded into Helix GL Analyzer for the whole Group and is accessible by component teams who filter and analyse the data relevant to their component.



C. Focused on Your Future

New Accounting Standards

Sector Matters

<p>FRS 48 Service Performance Reporting</p>	<ul style="list-style-type: none"> ▶ The NZASB has issued a new accounting standard for PBEs, FRS 48 Service Performance Reporting. This new standard requires the preparation of Statements of Service Performance for PBEs that report in accordance with Tier 1 and Tier 2 PBE standards. ▶ The Standard describes service performance information as information about what an entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information. The standard establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements. This is due to the standard being applied to a wide range of PBEs. ▶ An explanatory guide to FRS 48, called EG A10, has been issued by the XRB and is published on their website (https://www.xrb.govt.nz/accounting-standards/not-for-profit/explanatory-guide-eg-a10/). ▶ For the year ended 30 June 2023 BDC is required to prepare a Statement of Service Performance under legislation and the new standard will primarily result in disclosure changes as opposed to the primary content of the existing Statement of Service Performance changing. Likely disclosure changes include providing the details of the judgements associated with selecting and measuring performance metrics. ▶ Management should complete their own impact assessment. We recommend the impact assessment and any required changes should be made to the Annual Report as soon as possible and prior to 30 June 2023.
<p>PBE IPSAS 41 Financial Instruments</p>	<ul style="list-style-type: none"> ▶ PBE IPSAS 41 introduces a new model for classifying financial assets, whereby financial assets are classified based on the nature of their underlying cash flows and the business model under which the assets are held and managed. ▶ PBE IPSAS 41 introduces a new, forward-looking impairment model based on expected credit loss ("ECL"), which is different to the current "incurred loss" model in PBE IPSAS 29. The new impairment model will impact financial assets recognised at amortised cost (e.g. trade receivables) and debt instruments recognised at fair value through other comprehensive revenue and expense, as well as lease receivables. ▶ PBE IPSAS 41 is applicable to the Council for the year ended 30 June 2023. The Council holds financial instruments, including Contractual receivables and payables, and Loans. ▶ The new impairment model is unlikely to significantly affect short-term receivables of the Council, but may have a significant impact on longer-term financial assets. When applying the new model, the Council should consider the following: ▶ When assessing assets for impairment under PBE IPSAS 41, the Council will need to estimate and recognise credit losses arising from possible future default events, rather than recognising impairment only once indicators of default occurs, as per PBE IPSAS 29. ▶ Management should complete their own impact assessment. We recommend the impact assessment and any required changes should be made to the Annual Report as soon as possible and prior to 30 June 2023.

C. Focused on Your Future

Regulatory

Sector Matters

<p>There continues to be ongoing change in the legislative and regulatory space for local authorities.</p>	<ul style="list-style-type: none"> ▶ The Government has establishment a dedicated water regulator, Taumata Arowai, to help ensure safe drinking water and deliver improved environmental outcomes from New Zealand’s wastewater and stormwater systems. In November 2022, new Drinking water Standards became effective. ▶ In December 2022 legislation was passed setting out the requirement that Three Waters assets will transfer to the newly established water service entities from 1 July 2024.
<p>2024-2034 Long Term Plan</p>	<ul style="list-style-type: none"> ▶ In line with the requirements of the Local Government Act, Council is required to prepare the 2024-2034 Long-Term-Plan, which is required to be adopted prior to 30 June 2024. ▶ We will work with management as the preparation of the LTP progresses.

C. Focused on Your Future

Climate Risk Disclosure

Questions for Councils to consider

New Zealand is witnessing a significant change in climate-related organisational risk. Climate change is not limited to a solely environmental concern, for many organisations, it presents a material financial risk. The increasing awareness of climate-related risks is driving Counsellors, directors, managers and those in governance roles in New Zealand to question what they can and should be doing to assess and manage climate risks.

Climate Risk Disclosures

The Taskforce on Climate-related Financial Disclosures (TCFD) is a framework developed by the Financial Stability Board for organisations to disclose how climate change is being addressed as a systemic financial risk to their business and the economy.



of the top 1100 global companies now disclose climate-related financial risks in line with some of the TCFD recommendations.



of New Zealand's top 200 companies do not disclose any climate information whatsoever, while the level of information provided by those that do is generally low.

Highlights of the TCFD recommendations:

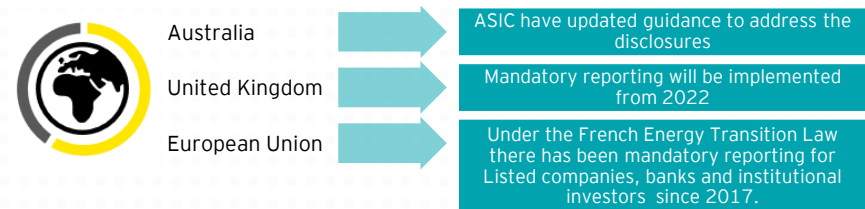
- ▶ Applicable to all organisations
- ▶ Disclosures to be included in financial filings
- ▶ Designed to solicit decision-useful, forward-looking information for financial markets
- ▶ Focused on risks and opportunities from the transition to a low carbon economy and the physical changes expected from climate change

Core elements of recommended climate-related financial disclosures



Regulatory

Core elements of recommended climate-related financial disclosures



In New Zealand a recent legal opinion commissioned by The Aotearoa Circle concluded company Directors, trustees and fund managers have requirements to consider climate risk in decision making. The New Zealand Government plans to make climate related disclosures mandatory for some organisations, particularly listed issuers and licenced insurers, registered banks and investment managers.



As stakeholder expectations change some of the climate related risks may become material to the users. And therefore, require disclosure in the financial statements, regardless of the numerical impact

What are the key aspects of New Zealand's proposed climate reporting regime?

The key aspects of the proposed climate-related financial disclosures reporting regime include:

- ▶ The adoption of principles-based mandatory (comply-or-explain) climate-related financial disclosures, with the TCFD reporting framework being the default 'comply'.
- ▶ The mandatory (comply-or-explain) reporting regime would come into effect for financial years commencing on or after six months after the regulations are introduced.
- ▶ The disclosure requirements would apply to: listed issuers, registered banks, licenced insurers and investment managers.
- ▶ After the first year, non-disclosure would only be allowable on the basis of a preparer's analysed and reported conclusion that they see themselves as not being materially affected by climate change, with an explanation as to why.

EY | Building a better working world

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Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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ED None

This report is intended solely for the information and use of the Risk and Assurance Committee, other members of the Board of Directors and senior management of Buller District Council, and should not be used for any other purpose nor given to any other party without our prior written consent. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this report, the provision of this report to the other party or the reliance upon this report by the other party.

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RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 6

Prepared by Neil Engelbrecht
Financial Accountant

Reviewed by Douglas Marshall
Chief Financial Officer

Attachments 1 - Audit Action Points

AUDIT MANAGEMENT REPORT

1. REPORT SUMMARY

At the completion of each Annual Report, the Auditors compile a Report to Council to conclude their findings and to make recommendations on system improvements that should be made to enhance internal controls of the organisation. A copy of this report is attached as Attachment 1.

Last year Ernst & Young had noted 11 improvements which should be made. Six of those recommendations have been implemented over the past year as per the attached report.

Of the five remaining items these include:

- the regular update and reconciliation of fixed assets, which is currently in progress for the year end annual report,
- the review of internal policies, of which a workplan has been added to RAC to address. This will be an ongoing item,
- review of the annual report compilation, for which a process has been established to ensure proper review. The document will be internally reviewed by the finance manager and CFO before being provided to audit,
- timely extraction of data supporting drinking water supply measures. This process has been started and is expected to be completed within the next week,
- timely impact assessment of new accounting standards. This assessment has been started and will be provided to audit when they start the engagement.

2. DRAFT RECOMMENDATION

That the Risk and Audit Committee receive the Report to the Council on the audit of Buller District Council and Group for the year ended 30 June 2022 for information.

ERNST & YOUNG - MANAGEMENT ACTION POINTS

Set out below is a summary of the action taken against recommendations.

OPEN RECOMMENDATIONS

Recommendation	First raised	Responsible	Management comment	Status	Planned completion
Timely and regular update and reconciliation of fixed asset registers					
<p>We recommend the Council should perform reconciliations of all fixed asset registers to the general ledger on at least a quarterly basis.</p>	<p>2021/22 Audit</p>	<p>Manager Infrastructure Services</p>	<p>Land, buildings and Property Plant and Equipment are reconciled quarterly. It is agreed it is desirable that infrastructure assets are reconciled quarterly. With the extensive work currently and in the next eighteen months being undertaken in preparation for the transfer to the National Transition Unit for 3Waters, more reconciled data will be available for review by Council staff, NTU representatives and auditors.</p>	<p>In Progress Asset data subject to Infrastructure Services collation.</p>	<p>31 July 2023</p>
Regular review of internal policies					
<p>We recommend Council complete and document regular reviews on internal policies to capture any changes in policies or changes to best practice as advised by the Auditor-General. This should include updating the review dates on each key policy document, at least annually, as evidence of the review process.</p>	<p>2021/22 Audit</p>	<p>CEO</p>	<p>Council agrees an annual review is appropriate. We have added to our Risk and Audit Committee workplan a section for policy review.</p>	<p>In progress - ongoing Council continues to monitor its policies for review. The Risk and Audit Committee workplan and LTP workplan address this risk, and the reviews will be performed in accordance with the plan.</p>	<p>30 June 2024</p>

Recommendation	First raised	Responsible	Management comment	Status	Planned completion
Review of annual report compilation					
We recommend the Council establish a formal process of review to ensure the initial draft of the financial statements are accurate and internally consistent.	2021/22 Audit	All Senior Leadership Team	We agree that information provided by the various Council departments should be more thoroughly reviewed by senior Council management before being incorporated into the draft Annual Report.	In Progress	August 2023
Timely extraction of data to support Drinking Water Supply performance measure					
We recommend Council establish a formalised process to extract the SCADA data close to 30 June each year to support the annual testing results and reported measures.	2021/22 Audit	Manager Infrastructure	Noted The process has been started (30 June 2023) and will be executed and finalised in the next two weeks.	In progress	10 July 2023
Timely impact assessment of new accounting standards					
We recommend Council complete a formal impact assessment ahead of 30 June 2023 and the associated audit. Any changes required should be made in advance of the end of the financial year end and appropriately implemented into the Council's processes and appropriate reporting documents i.e., annual report.	2021/22 Audit	CFO	Noted Council is currently busy with the assessment, and this will be provided to the audit team for review by the end of July.	In progress	End of July 2023

CLOSED RECOMMENDATIONS

ATTACHMENT 1

Recommendation	First raised	Responsible	Management comment	Status	Planned completion
Expenditure approvals – probity and appropriate review					
<p>We recommend that credit cards only be utilised in limited circumstances for specific types of expenses and approvals for payment are appropriately reviewed with the over-arching principle of probity and financial prudence being considered.</p>	<p>2021/22 Audit</p>	<p>CFO</p>	<p>The CE credit card is only utilised in limited circumstances. We will though review our credit card use procedure as part of our regular review of policies and procedures and agree that reminding all staff who commit council to expenditure that a principle of probity and financial prudence is an underlying requirement when spending council funds.</p>	<p>Closed BDC have sufficient policies in place to ensure expenditure gets approved per the correct delegations. BDC have sufficient policies in place to ensure expenditure gets approved per the correct delegations.</p>	<p>Closed</p>
Formal monthly balance sheet account reconciliations					
<p>We recommend Council perform formal reconciliations for all significant balance sheet accounts and ensure appropriate detail is included.</p> <p>In addition, a monthly checklist of key reconciliations should be maintained identifying the respective preparer and independent reviewer and expected timing of the reconciliation. The checklist should be monitored by an appropriate senior member of the finance team.</p>	<p>2021/22 Audit</p>	<p>CFO</p>	<p>Formal reconciliations of balance sheet codes are completed every month if the account has had any transactions throughout it for the month, and if the amount is material. Low value holding accounts without any movement for the month are not subject to formal reconciliations each month, based on prioritising the key matters to reconcile. A list of key reconciliations is kept. In past years some have been held in soft copy/electronic format, some have been paper copy form. Council has now converted all reconciliations and supporting information to be held in electronic form, this is to make it easier for staff and audit at year end.</p> <p>For avoid any confusion, for future audits wherever “requests for listings” are made, Council will provide the reconciliation from the soft copy files, rather than the listing</p>	<p>Closed</p>	<p>Closed</p>

			<p>which does not hold any reconciliation information.</p> <p>Note, some very historic accounts with low balances have been written off during the year ended 30 June 2023 and these will no longer be included in year end payables balances.</p>		
Sub committees' bank accounts and reconciliations					
<p>We recommend Council perform regular and timely review of the sub committee bank balances to reconcile to the amount recorded in the BDC trial balance. We also recommend the Council considers whether the practice of sub-committees having their own accounts remains appropriate and, if so, it is ensures that there are robust controls in place for their use.</p>	2021/22 Audit	CFO	<p>Subcommittee financial statements and bank accounts are reconciled at council level annually as part of the end of year processes for consolidating those records. Sub-committees receive reports from their treasurers on a regular basis although those reports only come to council annually.</p> <p>Our own internal review by the council finance team has identified some reporting improvements that need to be implemented including a simple, standardised report for all sub-committees showing opening bank balance, movements for the reporting period in detail, matching to the closing balance of bank statements, and confirmation that two signatories are required for all transactions. This will improve controls. The holding of bank accounts by each committee will also be reviewed.</p>	Closed	Closed

Recommendation	First raised	Responsible	Management comment	Status	Planned completion
Appropriate inputs to landfill provision model					
<p>We recommend the model be updated for the noted discount rate changes and a formalised review be implemented to ensure all inputs are accurate as part of the annual assessment process.</p> <p>We also recommend a formal and, if deemed necessary, an independent reassessment of the expected costs to remediate the landfill be undertaken.</p>	2021/22 Audit	CFO	<p>Council has considered using spot rates in the past which reflect an interest rate at a point in time. The spot rate in our view does not reflect the long-run effect of cost changes over a long time, which is what the landfill provision must do by nature of the assets covered by the provision.</p> <p>Council engineers review this provision in depth when each Long Term Plan is created, and reviews these inputs in the in-between years when Annual Plans are created. Council appreciates an independent assessment would add value but believes our engineers assessment is adequate.</p>	<p>Closed</p> <p>Council will use the spot rate from 2023 onward.</p>	Closed

Recommendation	First raised	Responsible	Management comment	Status	Planned completion
Grant funding reconciliations and support					
<p>We recommend Council establish a formal process to ensure all grant contracts are maintained in a centralised repository and are reviewed regularly to ensure this is up to date. Council should perform a regular and timely assessment of grant revenue recognition with direct reference to the terms of the contract and the requirements of the relevant accounting standards.</p> <p>In addition, Council should develop a process to obtain all relevant supporting evidence for respective milestones within a grant funding contract to ensure funding is claimed on a timely basis.</p>	2021/22 Audit	CFO	<p>The council receives a reasonable sum of grant income annually which has been significantly lifted in the last 12 months, and will continue at higher levels in the 30 June 2023 financial year as a result of the recovery work programme from the 2 flood events.</p> <p>Council and staff focus has been on delivery of the various programmes of work for which the grants have been received and ensuring that we report to the council/PIP committee/representatives of the various government agencies who have provided the grants appropriately.</p> <p>This reporting should have been included on our annual report workpaper files as well as an assessment of income recognition as per IPSAS 23 to ensure a more comprehensive reporting package at year end on grant income was available to you.</p>	<p>Closed</p> <p>Council has fully implemented Project Account Module.</p>	Closed
Intercompany reconciliation process					
<p>We recommend Council establish a formal process to reconcile and agree all intercompany balances at Council and subsidiary level on a regular basis.</p>	2021/22 Audit	CFO	<p>Every month there is a monthly reconciliation for WestReef Ltd debtors and creditors.</p> <p>For the June 2022 reconciliation, the adjusting items were not taken into account correctly between WestReef Ltd and Council.</p> <p>For future years, Council will ensure a formal signoff process occurs for the 30 June reconciliation between both parties.</p>	<p>Closed</p>	Closed

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 7

- Prepared By:** Lynn Brooks – Manager Finance
Mel Sutherland – Acting Manager Infrastructure Planning
- Reviewed By:** Douglas Marshall - Chief Financial Officer
Mike Williams – Acting Group Manager Infrastructural Services
- Attachment 1:** Asset Accounting Policy

PROPOSAL TO ADOPT AN ASSET ACCOUNTING POLICY

1. REPORT PURPOSE

This report highlights an issue being reviewed currently by Council staff relating to the valuation of Council assets as at 30 June 2023.

Accounting standards require entities such as Councils to revalue their assets every three years, last done by Buller as at 30 June 2022. This report considers a proposed policy that would provide a framework that ensures that Council's assets are recognised and accounted for in accordance with NZ Generally Accepted Accounting Principles (GAAP) and Tier 1 Public Benefit Entity Accounting Standards.

The proposed policy confirms what is to be valued, how and when.

2. DRAFT RECOMMENDATION

That the Committee:

- 1. Receives the report on proposed asset accounting policy**
- 2. Requests staff to report back on the relevant June 2023 movements in relevant inflation indexes in August 2023**

3. BACKGROUND

Council has in place a number of accounting policies, and these are summarised in the Statement of Accounting Policies set out in the current Long-Term Plan and the Annual Report 2022.

The information that is included in the proposed Internal Asset Accounting Policy includes that what is covered in the Statement of Accounting Policies, however the proposed policy is deemed to provide additional guidance to management and staff.

For instance, the infrastructural assets are valued on a three yearly valuation cycle at fair value determined on a depreciated replacement cost basis. The valuation is completed either by in-house preparation and peer review or by an independent valuer. At balance date, Council assesses the carrying values of its infrastructural assets to ensure that they do not differ **materially** from the assets fair value.

The most recent infrastructure asset valuation was undertaken as at 30 June 2022 and included in the 30 June 2022 Annual Report. This valuation uplifted the carrying value of infrastructure assets since the last three-year valuation and recognised there has been significant inflation, refer to Table 1 for a summary of the previous movements between the three-year valuations:.

Table 1 - Previous Movements in 3-year valuations

Description	Replacement Cost \$
Land Transport 2022	\$421,073,156
Land Transport 2019	\$348,902,220
% Change	21%
Three Waters 2022	160,064,979
Three Waters 2019	135,349,662
Difference (\$)	24,715,317
% Change	18%

Source BECA 2022 Valuation Reports

The issue that staff have been considering in the past two months is whether the movements in asset values for the Council have increased to a level that is material enough to require a revaluation.

Council staff have sought guidance from:

- Infrastructure asset values Beca
- Auditors Ernst Young
- Discussions with other local authority engineers and accountants.

All of those providing guidance have noted that market-based indices movements are most appropriate for considering changes in asset values with the ability to compare tender/contract acceptance values in like with like projects also having relevance.

Two period of indices movements are shown being the 12-month period of March 2022 to March 2023 and the period June 2022 to March 2023. The later period, although being for only 9 months, shows a lower indices movement which is expected to be the trend when the June 2022 to June 2023 indices are produced in the coming six weeks.

In the last twelve months, NZTA/CGPI indexes have increased as shown in Tables 2 & 3.

Table 2 - Indexes from NZTA and Stats NZ

Roading/Transport	NZTA % Change	NZTA % Change	Typically used for
Component	Mar 22 to Mar 23	June 22 to Mar 23	
Reseals	7.0	3.5	Road surfaces
Network Outcomes	5.7	1.4	Traffic facilities (eg. signs)
Structures	7.8	4.0	Bridges & major culverts
Construction	6.0	1.0	Drainage, Surface water channels, Footpaths, Pavement base and formation, streetlights
Professional Services	4.4	3.0	All

Table 3 - Civil Construction - Capital Goods Price Index (CGPI)

Water systems	CGPI % Change	CGPI % Change	Typically used for
Component	Mar 22 to Mar 23	June 22 to Mar 23	
Systems for Water and Sewerage from CGPI since 30 June 2022 valuation to 31 March 2023	13.3	5.7	Systems for water and sewerage, plus other civil construction
Systems for Water and Sewerage from CGPI since 30 June 2022 valuation to 31 March 2023	7.0	4.9	General purpose plant & machinery

Notes:

1. All NZTA indexes exclude bitumen.
2. Capital Goods Price Index (CGPI) published by Stats NZ 18 May 2023
3. Next Stats NZ Business price indexes (CGPI) for June 2023 quarter will be released on **17 August 2023**.
4. Transport Ways civil construction CGPI from Stats NZ was 7.8% rise over the past three quarters, it fell 1.4% in the quarter to March 2023.

The above indexes are national indexes and are used in the Council valuations to benchmark with the local market. It is noted that they are from June 2022 and March 2023. Ideally the indexes from June 2022 and June 2023 would be used however, this is not possible as the next Stats NZ update for the quarter end 30 June 2023 is not issued until mid-August 2023.

Direct costs from the previous year and the current year should also be compared. However, these can only be compared for a limited selection of assets. For instance, in 2022/2023 there has been no full bridge replacements or pavement reconstructions.

While as indicated above, formal revaluations are typically done every three years, the question is whether Council should consider a new revaluation for the year end 30 June 2023 given the increases experienced in infrastructure costs to date.

The average increase for land transport between 2019 and 2022 was 7% and for 3 Waters 6%.

Forecasts for the above indexes are not known, however the following guidance is provided by the NZ Treasury in the most recent (May 2023) publication.

Table 1 – Key economic and fiscal indicators

June years	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Real production GDP (annual average % change)	1.1	3.2	1.0	2.1	3.1	2.9
Unemployment rate (June quarter)	3.3	3.7	5.0	5.3	4.9	4.8
CPI inflation (annual % change)	7.3	6.2	3.3	2.6	2.3	2.1
Current account (annual, % of GDP)	(8.0)	(7.8)	(5.9)	(4.6)	(4.1)	(3.8)
Total Crown OBEGAL ¹ (\$ billion)	(9.7)	(7.0)	(7.6)	(3.6)	0.6	3.2
% of GDP	(2.7)	(1.8)	(1.8)	(0.8)	0.1	0.7
Net debt ² (\$ billion)	61.9	71.0	91.2	94.7	95.3	89.2
% of GDP	17.0	18.0	22.0	21.7	20.7	18.4

Notes: 1 Operating balance before gains and losses.

2 A series of net core Crown debt (the previous headline net debt indicator) is on page 156.

Sources: Stats NZ, the Treasury

If the NZTA and Stats NZ (CGPI) indexes follow the same trend as the Consumer Price Index, the spike in inflationary pressures are predicted to ease for the June values and beyond.

The proposed policy provides guidance in that when the inflation increase is between 5% and 10% judgement is needed, however the policy also provides a line in the sand, which confirms that if the policy is adopted, Council will only consider a formal revaluation if inflation annually is 10% or greater, unless there are special circumstances.

It is noted that all indexes are 10% or less.

While it is an important consideration, other matters and circumstances Council may wish to take into account are:

- There is a significant cost in carrying out revaluations, with the last ones for Land Transport and the 3 Waters costing around \$167,000.
- There is a significant time involvement in collating information needed for the revaluations.
- If the June indexes are used, these are not available until the 17 August 2023. This release date will mean the revaluations cannot be completed until after this date. This will also lead to time constraints for the next LTP.

- While it is important to consider the change in the inflation indexes, the quantum of work carried out by Council in the last twelve months also needs to be considered. While a full assessment will not be available until after the end of the 2022/23 financial year is complete, the last two years' delivery of the infrastructure capital works programme has been impacted by the 2021/2022 year floods.

4. FUNDING OPTIONS

There are no direct funding implications. The changes in the value of assets will be recognised with the next formal revaluation as at 30 June 2025. Of note is that the next revaluation is likely to not include a significant portion of the 3 Waters current carrying value because of the 3 Waters Reform and transfer of the wastewater and drinking water assets to a new water entity.

5. CONSIDERATIONS

5.1 Strategic Alignment

Council has five key strategies, to be Resilient, Growing, Providing Quality Infrastructure, investing in our towns so they are Liveable and, Affordable – growing our non-rates income. The policy supports these key strategies.

5.2 Significance Assessment

These matters have been reviewed to determine if they are considered material in context of Council's Significance & Engagement policy. The purpose of this policy is to provide Council with guidance on how important or significant things they have to make a decision about is, and how much engagement Council should undertake with the community.

The policy sets out Council will consider the likely impact of the decision on: the District, the people affected or interest in the matter and financial impact on the Council overall resources, and the capacity of Council and its ability to perform its role, carry out activities, and ability to achieve its community outcomes now and into the future.

The group of thresholds used as a guide to assess significance include:

- those that equate to more than 5% of the Council's asset base and budgeted turnover,
- those that significantly alter levels of service,
- those that reduce Council income or rates,
- if transfer of ownership or control of a strategic asset is proposed.

On the face of it this matter may initially seem to be deemed to be significant because the proposal is that infrastructure assets do not need to be revalued unless the change is greater than 10%.

Further review shows as at 30 June 2023 the total asset base of Council was \$499.67m. Of this, total the Infrastructural Assets made up \$410.14m, and the further breakdown is that the Roads and Bridges, and 3 Waters Assets (which are the only infrastructure assets subject to revaluation) made up \$379,19m.

Therefore, **should** the Roding and Bridges and 3 Waters infrastructure assets be revalued up by 10% this would equate to \$37.91m, which is 7.5% of the asset base.

Staff would note that the significance policy thresholds were intended to guide the Council in decisions about adding/disposing of Council assets, not necessarily a revaluation of assets threshold test of significance which is considered in line with the appropriate accounting standard of the day.

5.3 Tangata Whenua Considerations

Considered through presentation of this agenda item.

5.4 Risk Management Implications

Risk Around Lending

Council has a different relationship with our lenders compared to a standard business regarding the value of assets being used for debt security.

Council debt security is based on a debenture trust deed arrangement and the ability to rate ratepayers, to pay debt back if a Council defaults on payment. Council assets are not the type of asset that there is a ready market for a sale & purchase transaction to occur and thus be sold if a Council defaults in paying its lender.

Commercial activities use their asset value as security for their borrowing in that the higher the \$ value, the greater the \$ value that can be borrowed. The asset is arguably more able to be sold to repay a lender if there is a default in debt repayment.

Risk Around Asset Values and Insurance.

Council uses the same data source to determine Infrastructure Asset valuations for the purposes of annual insurance renewals and applies inflation adjustments in the years between the three yearly valuations.

Council can undertake its own assessment of valuation lift each year outside of the three yearly formal review to ensure that the “insured” value keeps pace with movements in the value of assets for insurance purposes.

The next insurance review date is 31 October.

5.5 Policy Framework Implications

Requirements are covered should Council decide to adopt the Asset Accounting Policy.

5.6 Legal Implications

Requirements are covered should Council decide to adopt this Asset Accounting Policy.

5.7 Financial / Budget Implications

Policy relates to recognising and account for assets.

Forward draft budgets for the next LTP will still have inflation recognised.

As noted above, a formal revaluation outside the three yearly cycles has not been budgeted for.

5.8 Media/Publicity

There may be some media interest, but the policy proposed is an example of good practice/policy being introduced to guide Council/staff.

5.9 Consultation Considerations

This policy is a governance/management policy on the management of Council assets and is not deemed necessary to consult with the community on.

ASSET ACCOUNTING POLICY

Version 1.1

Location of Controlled Copies:	BDC SharePoint BDC Controlled Document Reference #
Document Reviewer:	N/A
Approved By:	Council
Next review date:	On or before end of June 2028

Contents

1.0	Introduction.....	2
1.1	BACKGROUND	2
1.2	OBJECTIVES.....	2
1.3	SCOPE	2
1.4	APPLICABLE LEGISLATION.....	2
1.5	APPLICABLE NEW ZEALAND ACCOUNTING STANDARDS (NZ GAAP).....	2
2.0	Policy Statements.....	3
2.1	ASSET CLASSES.....	3
2.2	RECOGNITION.....	3
2.3	CAPITAL EXPENDITURE AFTER INITIAL RECOGNITION.....	4
2.4	ASSET VALUATION METHOD.....	4
2.5	DEPRECIATION OR AMORTISATION METHOD.....	4
2.6	REVIEW OF DEPRECIATION AND AMORTISATION PARAMETERS	4
2.7	ASSET REVALUATIONS.....	4
2.8	ASSET IMPAIRMENT.....	5
2.9	ASSET DERECOGNITION	5
2.10	WORK IN PROGRESS	5
2.11	MATERIALITY	5
2.12	POLICY REVIEW.....	6
3.0	DEFINITIONS.....	7

1.0 Introduction

1.1 BACKGROUND

In accounting for its assets, the Buller District Council (the Council) must comply with New Zealand government legislation. Legislation requires the Council to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), specifically Public Benefit Entity Standards (PBE Standards) – Tier 1. Failure to do so may lead to Ernst and Young, on behalf of the Office of the Auditor General, providing modified audit opinions, together with the ramifications of legislative non-compliance.

1.2 OBJECTIVES

The purpose of this policy to provide a framework that ensures the Council's assets are recognised and accounted for in accordance with NZ GAAP.

1.3 SCOPE

This policy applies to non-current physical assets (i.e., Property, Infrastructure, Furniture, Fittings and Equipment) owned or controlled by the Council. It applies to all staff who are involved in the management of assets, including the acquisition, construction, and disposal of assets, together with all staff or contractors responsible for maintaining and reporting on assets.

The policy applies to the line items of property, plant and equipment, intangible assets and assets held-for-sale as disclosed in the Council's Statement of financial position. It is applicable when performing the following functions:

- Acquiring, constructing, or developing an asset.
- Accounting for costs incurred in maintaining an asset.
- Renewing, replacing, or enhancing the service potential of an asset.
- Revaluing assets.
- Disposing of assets.
- Accounting for depreciation and amortisation of assets.
- Reporting and disclosing assets.
- Establishing the useful life and residual value of assets.
- Testing assets for impairment.

1.4 APPLICABLE LEGISLATION

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulation 2014

1.5 APPLICABLE NEW ZEALAND ACCOUNTING STANDARDS (NZ GAAP)

PBE IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

PBE IPSAS 1: Presentation of Financial Statements

PBE IPSAS 17: Property, Plant and Equipment

PBE IPSAS 13: Lease

PBE IPSAS 31: Intangible Assets

PBE IPSAS 21: Impairment of non-cash generating assets.

EG A7: Tier 1 & 2: Materiality for public benefit entities

2.0 Policy Statements

2.1 ASSET CLASSES

An asset class is a grouping of assets of a similar nature and the lowest level of information on non-current assets included in the Council's parent financial statements. The following asset classes are reported by the Council under the Property Plant and Equipment classification:

2.1.1 Council Assets

Land
 Building/improvements
 Plant and Machinery
 Motor Vehicles
 Office Equipment
 Library Books
 Work in Progress

2.1.2 Harbour Assets

Land
 Buildings
 Plant and machinery
 Office Equipment
 Motor Vehicles
 Harbour Vessels
 Work in Progress

2.1.3 Infrastructural assets

Roads
 Footpaths
 Traffic facilities
 Streetlights
 Bridges
 Culverts
 Water reticulation
 Stormwater reticulation
 Sewerage reticulation
 Landfill
 Airport Runway
 Land under Roads
 Wharves
 Work in Progress

2.2 RECOGNITION

An asset is recognised as a non-current asset if it meets all of the following criteria:

- The Council has control over the asset.
- It is probable that future economic benefits associated with the asset will flow to the Council

(including non-cash service benefits).

- The cost or fair value of the asset can be measured reliably.
- The asset is expected to be used for more than one year.
- The cost or fair value exceeds the Council's \$500 asset recognition threshold.

2.3 CAPITAL EXPENDITURE AFTER INITIAL RECOGNITION

Capital expenditure on assets after initial recognition are capitalised if ONE of the following applies:

- The resulting asset provides a higher level of service (increase of service capacity or service quality), an upgrade.
- The expenditure extends the life of the asset beyond the original expectation, a renewal.

2.4 ASSET VALUATION METHOD

All assets that qualify for recognition are initially measured at cost. However, where an asset is acquired through a non-exchange transaction (i.e. contributed or donated) the value is deemed to be its fair value at the date of acquisition. Fair value is either *market value* if there is market evidence or *depreciated replacement cost* if there is no market evidence.

2.5 DEPRECIATION OR AMORTISATION METHOD

Operating assets, except for land sea walls, are depreciated on a straight-line basis. Land and restricted assets are not subject to depreciation.

2.6 REVIEW OF DEPRECIATION AND AMORTISATION PARAMETERS

Asset depreciation and amortisation parameters, useful lives, asset condition (used to assess remaining useful lives) and residual values must be reviewed at least every three years to ensure that they are representative of current conditions and expectations at the end of each financial year.

The remaining useful life of an asset should be reassessed whenever a major addition or any significant partial disposal occurs.

2.7 ASSET REVALUATIONS

Council applies the following valuation methodology across its asset classes:

FAIR VALUE

Roads and Bridges
Stormwater
Water
Wastewater

COST

All other assets are valued at cost.

Assets subject to revaluation are revalued to fair value, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

For all assets subject to revaluation, a revaluation process is undertaken at least every three years.

For all assets other than those valued at cost, non-current asset valuations should be reviewed at least once each financial year to ascertain if there has been a material movement in fair value since

the previous financial year.

An estimated movement of ten per cent (10%) or more is deemed to be material for a given asset class (as reported in the financial statements), unless there are special circumstances where Council confirms otherwise.

The Council regards Statistics New Zealand (Statistics NZ) or Business and Economic Research Limited (BERL) or Waka Kotahi (New Zealand Transport Agency) indices as robust, valid and appropriate for the purposes of measuring changes in fair values. External sources of data prevent internal manipulation of data and can be applied consistently across financial years.

2.8 ASSET IMPAIRMENT

All assets on the fixed asset register are to be reviewed annually for impairment. This review may be in the form of discussions with key personnel in regard to the condition and significant adverse events relating to assets under their supervision. There is no expectation that each asset will be reviewed individually, as this would not be feasible for many assets such as those located underground.

2.9 ASSET DERECOGNITION

A non-current asset should be derecognised from the fixed asset register whenever it is:

- Destroyed, abandoned or decommissioned with no future economic benefit or service potential expected to be generated from its use.
- Scrapped, sold or traded.
- Lost or stolen.
- Transferred to another entity and there is a change of control.

2.10 WORK IN PROGRESS

Work in progress (WIP) represents the accumulated costs of constructed assets (e.g. costs associated with extending a stormwater pipeline or roadway), that are not complete at any time during the financial year.

2.11 MATERIALITY

Materiality plays an essential part in the decision-making process and preparation of the Council's financial statements. This is because information contained or omitted can impair its usefulness to users.

Materiality is a concept which requires professional judgement. An omission or misstatement of an item is material if, individually or collectively, it would influence the economic decisions of users of the financial statements for the accountability of management or governing body.

When making judgements about whether items of information are material and should therefore be presented and disclosed, consider the following:

- Who the users of the financial reports are and what their information needs are.
- How the qualitative characteristics affect presentation and disclosure.
- How the nature and size of items of information, judged in the surrounding circumstances, affect presentation and disclosure.
- Where financial and non-financial information that is material should be presented and disclosed.

Size is usually considered on a relative basis. If the item is large relative to other items and significant in terms of its effect on the users' evaluation of the Council's performance or position,

then it is likely that it is material and should be separately presented or disclosed.

If the nature of an items is important to accountability assessments or decision making, then its disclosure is likely to be material. A financial or non-financial items can be material based on its nature, irrespective of its size.

Consideration of qualitative characteristics should include relevance; faithful representation; clear understanding; timeliness; comparability; and verifiability.

As guidance in considering materiality thresholds the following can be used:

- An amount equal or greater than ten per cent (10%) of the appropriate base may be presumed to be material.
- An amount equal to or not less than five per cent (5%) of the appropriate base amount may be presumed to be not material.
- An amount between five per cent and ten per cent requires judgement.

2.12 POLICY REVIEW

The policy is to be formally reviewed on a triennial basis.

3.0 DEFINITIONS

Amortisation - The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset - Resource controlled by the Council as a result of past events and from which future economic benefits or service potential are expected to flow to the Council.

Asset class – Grouping of a similar nature and the lowest level of information on non-current assets included within the Council’s Financial Statements.

Asset recognition – Process to include a non-current asset in the asset register.

Asset renewal – Capital works that reinstate some or all of the original service potential of an asset.

Capital expenditure – Costs incurred over the life of an asset that either renew, extend or upgrade the asset’s underlying service potential.

Carrying amount of an asset – The amount at which an asset is recognised in the Statement of financial position, after deducting any accumulated depreciation and accumulated impairment losses

Cost – Amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction.

Council – Buller District Council.

Depreciable amount – The cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation – The systematic allocation of the depreciable amount of an asset over its useful life.

Economic life - Either:

- The period over which an asset is expected to yield economic benefits or service potential to one or more users or;
- The number of production or similar units expected to be obtained from the asset by one or more users.

Entity-specific value – The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or the value it expects to incur when settling a liability.

Fair value – Equates to market value, if a readily available market exists, or depreciated current replacement cost where no market exists.

Financial year – 1 July to 30 June

Fixed Asset Register – Repository of financially recognised non-current assets and related information used for both operational and financial accounting purposes.

Full revaluation – The process whereby the fair value of all assets within an asset class are updated to reflect current market value or current replacement cost as well as reassessing remaining useful life and residual value.

Future economic benefits – In respect to not-for-profit entities such as the Council, future economic benefits refer to the ability of an asset to provide goods or services in accordance with the Council’s objectives.

Gross carrying amount (or Gross Value) – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register, excluding any deduction for accumulated depreciation or accumulated impairment losses.

Highest and best use – The use of an asset by market participants that would maximise its market value.

Intangible asset – An identifiable non-monetary asset without physical substance.

Interim revaluation – Desktop review of unit rates whereby all asset values within an asset class are adjusted by an indexation factor.

Impairment – Decrease in service potential of an asset as a consequence of an irregular event or catastrophe, resulting in its recoverable amount being less than its carrying amount.

Infrastructure assets – Typically large, interconnected networks or programs of composite assets. The components of these assets may be separately maintained, renewed, replaced or disposed of, so that the required level and standard of service from the network of assets is continuously sustained. Generally, the components and the assets have long lives, they are fixed in place and rarely have any market value.

Maintenance expenditure – Recurrent planned and unplanned expenditure, which is periodically or regularly required as part of Council's maintenance plan to ensure that the asset is kept in an operational state, achieves its useful life and provides the required level of service.

Market value – The price that would be received to sell an asset in an orderly transaction between market participants, excluding transaction costs but inclusive of any transport costs.

Net Book Value – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or written down value.

Nominal cost – Nil or minimal cost for which an asset has been acquired.

Non-current asset – An asset held by Council for use rather than exchange and which provides an economic benefit for a period greater than one year.

Operating expenditure – Encompasses all costs associated with operating an asset (i.e. electricity, fuel, personnel costs, plant and equipment on costs and internal recharges).

Probable – More likely than not to occur.

Recognition threshold – The acquisition value an asset should exceed before it is recognised in the fixed asset register and the Council accounts.

Recoverable amount – The higher of an asset's fair value less cost to sell and its value in use.

Remaining useful life – The remaining operational life of an asset in service, irrespective of the period an asset has been in use or its design life or initial useful life when first recognised.

Renewal works (or asset renewal) – Capital works that reinstates some or all of the original service potential of an asset

Replacement cost – The current cost to replace or reproduce an asset based on similar operating conditions.

Residual value (salvage value or scrap value) - The estimated amount that would be obtained today from the disposal of an asset, after deducting the estimated costs of disposal (where applicable), if the asset were already of the age and in the condition expected at the end of its useful life.

Sunk costs – Costs that are incurred on the initial construction of an asset that are unlikely to be incurred again when the asset is renewed or replaced.

Service potential – The capacity to provide goods and services in accordance with Council's objectives.

Useful life – The period of time an asset is intended to be used, which is estimated when the asset is initially put into service.

Valuation unit rates – Asset unit rates are based on replacement cost principles that exclude specific asset management costs to fully comply with accounting standards and to avoid the potential for double counting of costs.

Value in use – Normally refers to assets that generate some form of cash inflow. Where assets have no cash inflow, value in use is deemed to be depreciated current replacement cost.

Vested asset – An asset that is acquired by Council at nominal or no cost, usually by way of an agreement with property developers, through government arrangements or a bequeath.

Written down value – The amount at which an asset is recorded (either at cost or fair value) within the fixed asset register after deducting any accumulated depreciation and accumulated impairment losses. This is the same as an asset's carrying amount or net book value.

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 8

Prepared by Douglas Marshall
Chief Financial Officer

STRATEGIC RISK REGISTER

1. REPORT SUMMARY

The Strategic Risk Register was endorsed by the then, Finance Risk and Audit Committee (FRAC), 17 July 2019. This register identifies the organisational strategic risks and is monitored monthly by Senior Leadership Team and the Risk and Audit Committee.

The register will be updated quarterly or when new strategic risks are identified or require changes.

2. RECOMMENDATION

That the Risk and Audit Committee note the updates received for the strategic risk register as July 2023.

Changes to this report since the last report in April 2023 are in red.

1. Coastal Erosion and Sea Inundation of Westport Airport Runway

A seawall has been put in place to reduce possibility of effect of erosion from sea surge. A review of the effectiveness of the seawall will occur July 2023.

The resource consent issued for this work requires monitoring reports to be provided to the regional Council. These reports are prepared by using drones to take aerial photographs which are then compared with the previously taken photographs. This process also informs the Council's risk. The monitoring report will shortly be prepared and a report on findings made to the Council.

Progress update October 2023.

2. Climate Change and Flooding Impacts on Council Assets and Infrastructure (Other Than Airport)

As at May 2023 the Brougham St brick arche project is the only stormwater project not completed.

The NEMA “betterment proposals” as at May 2023 have moved to the tender and design phase with construction expected in September 2023.

Waka Kotahi have now confirmed \$13.2 million of funding for repairs on local roads and the Karamea SPR.

The “bundle 1” tender packages were issued to Westreef under the terms and conditions of the maintenance contract prior to Christmas. This package totals \$1.2 million with 75% complete to date.

Further bundle packages are being prepared and issued with the main volume of work being issued using an NZTA panel approved approach in May/June.

The last Risk and Audit Committee noted the challenges with protecting old landfills in riverbeds and that every time there is a major flood event, there is a higher than desirable possibility of a old landfill being exposed if material covering/protecting the landfill is removed by the flood. Further work on identifying this risk is required.

Progress update October 2023.

3. Major Flooding of Westport Township

Following the August 2022 red weather warning declaration, additional bund works were carried out under emergency work. Tranche 2 funding activity has commenced, and a programme of work developed to repair infrastructure from July/February floods.

Central Government have reviewed the Co-Investment Business Case and announced on 12 May that funding of \$22.9 million would be provided to assist with mitigating future Westport flooding. This was significantly less in \$ terms than requested. The Council is represented on the Buller Flood Resilience Group which will respond to this funding proposal.

Further flood mitigation assessments are being undertaken by BDC / WestReef staff to Coates Street and a cost benefit analysis is being undertaken to ascertain the purchase of pumps versus hiring of pumps. Part of the business case request was for stormwater infrastructure upgrade of \$12 million which was declined but it would be considered as part of the Government’s Affordable Water programme.

Progress update October 2023.

4. Central Government Three Waters Reform

No changes to control plan.

Regular written and verbal reports made to Council on reform progress. Last report was to Council on 28 June regarding the submission on legislative changes.

Progress update October 2023.

5. Climate Change Impacts Public Safety

A Westport flood evacuation plan has been developed, peer reviewed and made publicly available for feedback. During the response to the August 2022 red weather warning river flooding event, this plan was a draft but allowed the Emergency Operations Centre (EOC) actions to be more effective demonstrating that lessons have been learnt from previous events.

West Coast Emergency Management has evacuation plan templates for 12 of the 17 identified isolated communities and Westport. Included in these plans are Flood, Earthquake, and Tsunami information. We are looking to incorporate the Westport Evacuation plan in the Region wide exercises later this year and early 2024.

West Coast Emergency Management is working with Buller communities that will likely be isolated in a large Civil Defence emergency. These communities have or are forming a group that will come together in an event and help look after the welfare of their communities. Groups are working on having Community Emergency Response Plans that when completed, will be available for all members of their communities. Tsunami Evacuation Zones are included in these plans. Some groups have also included Flooding information.

A group comprising of Council staff, lifeline services, emergency services, key suppliers of consumable goods, contractors and Civil Defence volunteers are enhancing planning and knowledge in how to respond to the Alpine fault occurring. This work is currently Westport focused but will extend to the balance of the district in 2024. A presentation was made to the newly appointed Director of Civil Defence Emergency Management for NEMA on 30 June 2023 on progress to date made by the Westport group.

Progress update October 2023.

6. Information Management

Project is progressing with the appointment of a staff resource to project manage the day-to-day issues with document management, while Information Leadership have been engaged to lead the development of the systems and processes needed for the document management system.

As reported in December 2022, this project will extend into the 2023/2024 financial year. Although quotes have been obtained to advance much quicker, the digital capture of the Council's property files, the cost exceeds budgets and thus will continue to be done on as part of business as usual.

A report on progress to 30 June will be prepared for the next report.

Progress update October 2023.

7. Failure to Attract Business and Industry to the District

Partnership Programme Governance Group is transitioning towards oversight of the Tranche 2 funding programme. The Co-Investment business case for multi model adaptations has been submitted to Central Government. BDC is a strategic operational partner with The Alliance Coastal Shipping Group.

The partnership will generate income associated with the Kawatiri dredge and port. Buller Environmental Improvement & Prosperity strategy continues with partnerships Kotahitanga mō te Taiao (KMTT) and the Nature Conservancy.

Other projects have created up to \$2m funding and creation of local jobs. Westland Mineral Sands progressing the extractive business associated with Westport port. Local employment opportunities are created. The Mayors for Jobs Taskforce has been funded for a further 12-months albeit in a different format however this still provides opportunities to support apprenticeships etc.

No change to above commentary.

Progress update October 2023

8 Financial Loss from Depreciate Assets and Unrealised Opportunities at Westport Port

Tranche 2 funding for the dredging of the harbour and river areas have been approved by Central Government, that projects funding totals \$4.7 million. A further dredge funding programme for the Westport harbour and river areas has been secured from Buller Port Limited totalling just over \$1.5 million.

These two funding programmes provide income until **April 2024** while contracts with Nelson Port for dredging (currently being undertaken) provide further cash to keep the dredge operational.

The Marpol regulations, which anticipated the dredge not being able to be operated after March 2025 with the current engine emissions, have been amended allowing the dredge to continue. More detail was included in the dredge report to the May 2023 Risk & Audit committee meeting.

Progress update October 2023.

9. Lack of Key Infrastructure for Growing Tourism Demands

Council to consider through the District Plan (TToPP) and additional regulations. Other infrastructure options and funding opportunities to be explored, alongside strategic planning for growth and development, with considerations to reforms, rebuild programmes, resilience and climate change.

No change to above commentary.

Progress update October 2023

17. Legal Compliance for Reserves

Regular meetings held with subcommittees. Terms of Reference in place for most, the others are under review. Health and safety requirements discussed, and any volunteer work now have records and risk assessments completed.

Currently working on developing AMPs / RMPs for all subcommittees – two members of BDC staff now have ongoing communications with the groups with oversight from Group Manager.

Progress update October 2023.

18. Reefton Water Supply Non-Chlorination

With budget agreed in the 2022 / 2023 Annual Plan, work is currently underway to proceed with this project.

A community engagement session held on 12 April in Reefton as part of roll-out of the Reefton Chlorination project.

There was a smallish crowd who were well engaged.

Significant communication will be ongoing, particularly when the chlorination units are switched on.

The national regulator for water services Taumata Arowai, will be providing an update to the water sector entities, and their communities, in the coming months on progress with regulation compliance.

Progress update October 2023.

3. ISSUES & DISCUSSION

Council developed and adopted a Risk Management Framework based on the International Standard ISO 31000:2018 Risk Management – Guidelines, and the previous version AS/NZS ISO 31000:2009 Risk Management Standard, as well as benchmarking against select local government authorities' Risk Management Frameworks.

An effective and efficient Risk Management Framework must be adequately resourced and supported at the very top of an organisation's hierarchy. The Risk and Audit Committee (comprising of full Council) has been established with the purpose of endorsing management's risk approach, as well as assessing, monitoring and reporting on key risks. Effective risk management also requires a 'no blame' culture as well as clear lines of accountability and pathways for risk escalation.

Buller District Council's Risk Management Framework will be reviewed **October 2023** to ensure that the practices are still fit for purpose.

This review will also involve an update of the risk schedule for the Council and a review of how we report risk in the future.

Risk Assessment Matrix to Enable Easy Review.

Table 7: Risk Assessment Matrix

		Risk Assessment Matrix				
Consequence	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
		Likelihood				

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 9

Prepared by: Douglas Marshall
Chief Financial Officer

Reviewed by: Sean Judd
Acting Chief Executive Officer

PORT AND DREDGE – JULY 2023 OPERATIONS REPORT

1. REPORT SUMMARY

This report updates the Committee on a number of matters relating to the operations of the Westport Port and the dredge Kawatiri as at July 2023

2. DRAFT RECOMMENDATION

That the report be received for information

3. ISSUES AND DISCUSSION

3.1 Harbour Master Replacement

Interviews for the role will be completed by mid-June with an appointment shortly after.

There were 13 applications.

The Dredge Master, Steve Christensen has been appointed as Acting Harbour Master until end of June. An extension maybe needed to this appointment depending on when an appointment can commence.

3.2 Wharf and Harbour Structures

Lease and subleases will be considered by the Council shortly for the wharf commonly known as the crane wharf.

The key agreement is the lease of the land by BDC from Kiwirail relating to the land that the crane wharf is located on.

The agreement to sub lease and associated sublease relate to wharf space that Westland Mineral Sands (WMS) will load their boat with the sands they are exporting.

Council has a lease in place with WMS for the land that BDC own, and that WMS use for sand stockpiling.

3.3 Harbour Boat

The port does not currently have a boat which can be used when needed to undertake port operational matters.

Council staff are currently considering options as to how the most common activities being bar soundings, checking of wharf structures from the riverside and interactions with port users on the water can be undertaken in the future.

The future WMS activities will increase the activities above, thus the need for a permanent solution or a more comprehensive lease/hire option.

3.4 Dredge Activities

The dredge will commence its 4th swing (a 28-day period) of the calendar year on 6 July. The current dredge work is funded via the Tranche 2 of Central Government funding approved by cabinet and administered via National Emergency Management Agency (NEMA).

A visit to Gisborne occurred in late June to discuss a possible dredge contract.

3.6 Financial Activities

Financial reports on actual results will be provided in September to the Committee.

Follow Up Matters

In preparing this paper for review, staff note a number of financial aspects of the closed account that need reviewing and reporting back to the Committee.

These are:

- How are Council overheads allocated and are they reasonable?
- Council does not charge or credit interest on closed accounts. Is this appropriate for port/dredge closed account?
- Should the general rates income levied for the port be credited to the closed account or is the Council confident that the future financial strength of the account will fund the current deficit?

Council staff will report back on these matters as part of year end reporting.

4. CONSIDERATIONS

4.1. Significance Assessment

The Significance and Engagement Policy sets out the criteria and framework for a matter or a transaction to be deemed significant. The Significance and Engagement Policy is written in accordance with The Local Government Act 2002 (LGA 2002) section 76AA.

In a financial context, the content included in this report is not considered significant because the matters disclosed are of a routine nature, and not greater than 5% of the total assets or total annual operations of Council.

4.2. Values Assessment

The Buller District Council values are: One Team; Community Driven; We Care; Integrity; and Future Focussed. The matters outlined in this report are considered to be consistent with our values.

4.3. Policy/Legal Considerations

The Local Government Act 2002 governs the activities of Council and sets out the requirement for consultation on the Annual Plan and Long-Term Plan to agree the budgets and activities to be funded.

This report assists with two key purposes of that Act (refer to section 3) stating the purpose of the Act is to promote the accountability of local authorities to their communities; and provide for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

4.4. Strategic Impact

Council's key strategies, to achieve the vision of Council are:

Resilient - Building and promoting resilience in a community, services and infrastructure

Growing - Facilitating growth and a transition to a diversified, resilient and sustainable economy,

Quality Infrastructure - Providing reliable and sustainable infrastructure that meets the needs of current and future generations

Liveable - Investing in our towns to ensure we are an attractive district to live work invest and play

Affordable - Growing our non-rates income so rates are affordable to all residents

The dredge and harbour activities have a limited strategic impact on the day-to-day Council activities although they have the potential for activities that use their services to be significant in the future for the district.

4.5. Risk Analysis

Risk is assessed by considering the likelihood of an event occurring and the result of that event.

Undertaking harbour and dredge activities have risk but staff implement practices to minimise risk.

4.6. Policy / Legal Considerations

None identified.

4.7 Tangata Whenua

The contents of the report are not a matter requiring consultation with tangata whenua.

4.8 Views of Those Affected

The users of the port and the dredge receive services charged at commercial rates. As such this is a business-like activity and should be managed as such.

4.10 Media / Publicity

Media and the public take an interest in the activities of the dredge and harbour.

RISK AND AUDIT COMMITTEE

14 JULY 2023

AGENDA ITEM 10

Prepared by: Neil Engelbrecht
Financial Accountant

Lynn Brooks
Finance Manager

Reviewed by: Douglas Marshall
Chief Financial Officer

Attachment 1: BDC Monthly Operational Report as at 31 May 2023

MONTHLY FINANCIAL PERFORMANCE REPORT – as at 31 May 2023

1. REPORT SUMMARY

This report provides the Committee with an update on the financial performance for the 11 months ending 31 May 2023. To help explain the variances this report is presented in three sections including “operational business as usual”, “additional grants”, and “flood event” sections.

The business-as-usual result to date is a loss of \$4.564m (\$3.419m loss as at April 2023) against a budgeted loss of \$2.996m (\$1.155m loss as at April 2023), a negative variance of \$1.568m (\$2.265m as at April 2023). This difference is mostly due to a timing variance in the Harbour activity for slipping expenses, the remainder being expenditure which is expected to resolve as the year progresses. Otherwise, revenue and expenditure are mainly on budget. More details relating to the variances can be found in the appendix.

The additional grant revenue and expenditure shows a surplus of \$1.764m (\$1.632m surplus as at April 2023) against a budgeted surplus of \$0.608m (\$0.511m surplus as at April 2023), a positive variance of \$1.156m (\$1.121m as at April 2023) as a portion of grants relate to capital expenditure which is not included in this operations report.

The flood event result to date is an overall surplus of \$9.393m (\$7.934 surplus as at April 2023), it should be noted a portion of the flood event revenue relates to capital expenditure which is not included in this operations report.

The total reported surplus to May 2023 of \$6.593m (\$6.146m surplus as at April 2023) compared to a budgeted loss of \$2.388m (\$0.644m loss as at April 2023), a positive variance of \$8,981m (\$6,790m as at April 2023). The main reason for this variance is grant and flood recovery revenue and expenditure. It is also due to timing differences between when the budget anticipated the revenue or expenditure would

occur and the actual timing of the revenue and expenses and non-budgeting of flood recovery income and expenditure.

Staff noted the questions asked by Cr C Reidy regarding the solid waste CPI increase adjustment and are currently preparing a response and collating the information. This will be provided to Councillors prior to the meeting.

2. RECOMMENDATION

That the Risk and Audit Committee receive the operational performance report to 31 May 2023 for information.

3. OPERATIONAL FINANCIAL PERFORMANCE

A summary of the results is set out below, along with greater details in the following pages.

	Actual YTD	Annual Plan	YTD Variance		Projected Full Year	Annual Plan Full Year	Projected Variance Full Year
Operational Revenue	26,945,013	25,622,109	1,322,904	●	29,667,403	28,924,828	742,575
Operational Expenditure	31,508,929	28,618,211	(2,890,718)	■	34,046,599	31,831,033	(2,215,566)
TOTAL OPERATIONAL VARIANCE			(1,567,815)	■			(1,472,991)
Additional Grant Revenue	2,673,860	682,525	1,991,335	●	3,387,779	913,051	2,474,728
Additional Grant Expenditure	909,659	74,737	(834,922)	■	1,013,270	77,552	(935,718)
TOTAL ADDITIONAL GRANT VARIANCE			1,156,413	●			1,539,010
Flood Event Revenue	13,590,377	0	13,590,377	●	13,940,196	0	13,940,196
Flood Event Expenditure	4,197,822	0	(4,197,822)	■	4,547,641	0	(4,547,641)
TOTAL FLOOD EVENT VARIANCE			9,392,555	●			9,392,555
TOTAL PROFIT / (LOSS)			8,981,153	●			9,458,574
Net Profit / (loss)	6,592,839	(2,388,314)	8,981,153	●	7,387,868	(2,070,706)	9,458,574

Key: ■ Favourable Variance + \$50k ■ Unfavourable Variance - \$50k ● Neutral Variance +/- \$50k

3.1 Operational Performance Report – Summary of Results to May 2023 and Projection for the Year Ahead

Overall, operating revenue is \$1.323m higher than budgeted. The variance is mainly due to additional theatre income, higher than anticipated building activities and resource consents. There is also above budgeted interest income due to favourable interest rates, above budgeted income on the NZTA roading programme due to timing differences and unbudgeted Nelson dredging income. These positive variances are offset by lower than budgeted income on Westport Harbour due to timing differences and below budgeted income for community facilities, mainly relating to lower than budgeted lease income.

Operational expenditure is \$2.891m higher than budgeted mainly due to rehabilitation work on the dredge which was expected to be completed prior to 30 June 2022 but has occurred in this financial year. Additional theatre expenditure is matched with increased revenues received for this activity, higher than budgeted repairs and maintenance mainly relating to Water Supplies, additional interest expense due to changing interest rates and timing differences for other infrastructure delivery activities.

The dredge rehabilitation work was delayed allowing for completion of dredging in Westport prior to June 2022 and for it to occur when a dredging contract in Nelson was secured. The Nelson dredging and rehabilitation work was undertaken in September/October 2022.

The cost of this rehabilitation work, as well as the operating cost of the dredge, is all funded via the Tranche 2 Central Government service contract.

The dredge slipping expenditure will be a mixture of capital expenditure and repairs, and this work is being completed in line with the 2021-2031 Long-Term Plan which sets out that the work on the dredge would only be completed if a sound business case was developed, and it was.

To date, additional grant revenue consists of advance funding from Provincial Growth Fund (PGF) for the ongoing port projects, Mayors Taskforce for Jobs, KMTT restoring flora grant, National Transition Unit and Department of Internal Affairs. PGF grants will be spent on a combination of capital expenses and repairs.

Council will continue to receive significant funding over the next period for flood recovery works.

The report includes confirmed grant funding from the National Emergency Management Agency (NEMA) (Tranche 2) projects for the port projects.

NEMA are also funding flood recovery water infrastructure projects, and Ministry of Business and Innovation are providing funding for the temporary housing development at Alma Rd.

Waka Kotahi have funded flood recovery roading costs for both capital and operational costs, and Department of Internal Affairs have funded wages costs for flood recovery salaries.

BULLER DISTRICT COUNCIL
Operating Report for the Ten Months to May 2023

Prepared by: Neil Engelbrecht

Reviewed by: Lynn Brooks/Douglas Marshall

	Actual Year to Date	Annual Plan YTD Budget	YTD Variance	Status	Full Year Prediction	Annual Plan Budget	Variance Full Year Prediction	Explanation of Variances of \$50,000 or greater
Operational Revenue								
Community Services	433,929	306,389	127,540	●	490,000	341,119	148,881	NBS Theatre higher than predicted shop sales, admissions, and timing of external funding. The income is very difficult to predict and the movement in income gets offset by the movement in expenditure below. The full year prediction has been updated to extrapolate the YTD income over the remainder of the year in the prior report. This still appears to be in line with full year expectations.
Westport Harbour	2,404,074	1,896,118	507,956	●	2,665,145	2,766,000	(100,855)	Budget was based on an expected level of dredging in Westport between July 2022 and June 2023. The rehabilitation and Nelson dredging work took longer than anticipated which means that the projected income from Westport dredge activities in this year will be down on budget, however due to Nelson dredging income, the year to date income is above budget.
Governance & Representation	25,857	33,600	(7,743)	▲	33,600	33,600	0	
Water Supplies	3,784,593	3,826,903	(42,310)	▲	3,877,579	3,877,579	0	
Airport	156,971	143,177	13,794	▲	158,538	158,538	0	
Community Facilities	651,749	855,772	(204,023)	■	1,123,000	1,355,759	(232,759)	Cemetery fees \$29k less than budget, Housing for the Elderly is less than budget due to the transfer of McAuley Flats \$36k year to date. The remainder of the variance relates to less leasehold and sundry income compared to budget, this is mainly offset by corresponding reduction in Community Facilities Expenses. The full year prediction has been updated to reflect the expected effect of the changes.
Roading & Transport	2,906,708	2,625,786	280,922	●	3,251,814	2,971,814	280,000	NZTA income \$280k above budget due to timing and delivery of roading program. This is in line with increased expenditure below.
Regulatory Services	1,527,986	1,240,780	287,206	●	1,645,695	1,365,695	280,000	Higher than predicted building activity and resource consents. Additional reserve contributions not included in budget. Even though there was an increase in income, the cost related to Regulatory Service was well controlled, and have to date not increased in line with the income. The full year prediction has been updated to account for the additional estimated income.
Solid Waste	1,050,050	996,631	53,419	●	1,067,696	1,012,696	55,000	Greater than budgeted Waste Levy Income from the Ministry for the Environment. The full year forecast have been adjusted to account for this.
Support Services	214,291	68,588	145,703	●	236,360	76,360	160,000	The majority of the increase relates to \$125k of unbudgeted revenue for Alma Road professional fees. The full year forecast has been updated to account for the increase. This cost is funded by the Ministry of Business, Innovation and Employment.
Council - General Rates & Treasury	10,865,303	10,707,749	157,554	●	12,193,974	12,043,974	150,000	Additional interest income of \$156k above budget due to favourable interest rates.
Wastewater	2,918,985	2,916,108	2,877	▲	2,918,985	2,916,676	2,309	
Stormwater	4,517	4,508	9	▲	5,018	5,018	0	
Total Operational Revenue	26,945,013	25,622,109	1,322,904	●	29,667,403	28,924,828	742,575	
Operational Expenditure								
Community Services	3,847,512	3,807,395	(40,117)	▲	4,180,329	4,121,329	(59,000)	Variance relates mainly to performance fees, additional shows were held that was not budgeted for, resulted in a corresponding increase in operational revenue. Other items offset and are in line with the overall budget.
Westport Harbour	3,852,294	1,995,760	(1,856,534)	■	3,983,576	2,535,881	(1,447,695)	Variance mainly due to timing of slipping costs (to date \$1.579m) incurred in advance of external funding for Westport dredging. Above budgeted repairs and maintenance expenditure.
Governance & Representation	1,654,554	1,657,268	2,714	▲	1,808,375	1,808,375	0	

	Actual Year to Date	Annual Plan YTD Budget	YTD Variance	Status	Full Year Prediction	Annual Plan Budget	Variance Full Year Prediction	Explanation of Variances of \$50,000 or greater
Water Supplies	3,744,891	3,378,865	(366,026)	■	3,867,736	3,669,799	(197,937)	Higher than budgeted repairs to date Westport Water \$252k due to water catchment challenges, Reefton Water \$35k, Cape Foulwind \$25k and Inangahua Water \$14k, and additional interest expenses due to changing interest rates and timing differences from budget phasing less underspends in monitoring costs and repairs and maintenance on Waimangaroa water. Maintenance Contract costs escalation for new performance contract, pump hire for \$30k not able to be claimed from flood recovery, will be permanent overspend at end of year if unable to be mitigated in Westport Supply. Water supply and utilities are forecast to end the financial year over budget.
Airport	482,680	466,907	(15,773)	▲	549,699	509,699	(40,000)	MOT share of repairs and maintenance was initially excluded from the budget, this has been corrected to include additional repairs and maintenance costs. The airport is planning to refresh the runway and carport markings, for which these funds will be used. The carport marking is currently underway.
Community Facilities	2,564,324	2,821,973	257,649	●	3,110,000	3,336,965	226,965	Repairs and maintenance expenditure is less than budget year to date. Council had no employee in the TLCF role, once the AMP's are set up and a new appointment has been made, the R&M expenditure is expected to be more in line with budget for the next financial year.
Roading & Transport	7,718,066	7,143,183	(574,883)	■	8,412,099	7,912,099	(500,000)	Variances noted in the timing of the roading programme.
Infrastructure Delivery (cost recovery and expenditure netted off)	274,067	(27,674)	(301,741)	■	(9)	(9)	0	Infrastructure Delivery Team YTD net deficit \$301k due to internal charge recovery being down on budget allocation to date. This current variance is a timing issue and all PMO BAU unit costs will be allocated appropriately by 30 June.
Regulatory Services	2,360,474	2,641,886	281,412	●	2,614,496	2,895,908	281,412	The DIA partially funded 2 employees and their wage costs are in the flood recovery activity.
Solid Waste	1,438,050	1,408,449	(29,601)	▲	1,515,992	1,475,992	(40,000)	Main driver is the final contract CPI adjustment was greater than the budgeted increase.
Support Services	391,734	193,532	(198,202)	■	430,787	234,787	(196,000)	Variance is mainly due to increase in consulting services relating to infrastructure planning and asset management property. The full year prediction has been updated to reflect the increase.
Wastewater	2,396,901	2,491,550	94,649	●	2,717,910	2,645,599	(72,311)	Difference is mainly due to less consultancy services, monitoring expenditure and repairs expenditure.
Stormwater	783,381	639,117	(144,264)	■	855,609	684,609	(171,000)	Due to increase in repairs and maintenance work done, majority relating to the increase in Westreef contract. The full year forecast has been updated to reflect the increase in expenditure.
Total Operational Expenditure	31,508,929	28,618,211	(2,890,718)	■	34,046,599	31,831,033	(2,215,566)	
OPERATIONAL PROFIT / (LOSS)	(4,563,917)	(2,996,102)	(1,567,815)	■	(4,379,196)	(2,906,205)	(1,472,991)	
Additional Grant Revenue								
Community Services	639,987	22,902	617,085	●	639,987	25,499	614,488	\$456k Mayors Taskforce for Jobs, \$146k KMTT Restoring flora and other small sundry grants all unbudgeted.
Westport Harbour	967,940	0	967,940	●	1,032,133	0	1,032,133	Provincial Growth Fund Port projects grant received and MBIE port Precinct Grant received. No budget allowed in 2022/2023 as project expected to be completed by 30 June 2022.
Commercial and Corporate Services	484,098	0	484,098	●	528,107	0	528,107	National Transition Unit and Department of Internal Affairs funding that was not budgeted for. This funding is used to fund expenditure that was also not budgeted for. The forecast for the year has been updated by the YTD income extrapolated over 12 months.
Water Supplies	65,000	0	65,000	●	65,000	0	65,000	Better off funding Karamea Water Supply.
Community Facilities	182,873	441,118	(258,246)	■	687,552	587,552	100,000	Carnegie Library funding budgeted YTD of \$ 371k for not yet received, offset by additional government subsidy of \$100k from MBIE for public toilets.
Roading & Transport	200,000	218,505	(18,505)	▲	300,000	300,000	0	
Solid Waste	133,963	0	133,963	●	135,000	0	135,000	Grant received from ministry for the environment, not budgeted for.
Total Additional Grants Revenue	2,673,860	682,525	1,991,335	●	3,387,779	913,051	2,474,728	
Additional Grant Expenditure (excludes Capital Expenditure)								
Community Services	358,450	0	(358,450)	■	391,036	0	(391,036)	Mayors taskforce for job grant expenditure and small KMTT project expenses. Relates to unbudgeted income above. The full year prediction has been updated and the YTD expenditure extrapolated for 12 months.
Westport Harbour	437,773	0	(437,773)	■	444,682	0	(444,682)	Provincial Growth Fund Port projects. Mainly relating to repairs & Maintenance on the PGF project. Unbudgeted spend as per the income noted above.
Commercial and Corporate Services	0	0	0	▲	0	0	0	

	Actual Year to Date	Annual Plan YTD Budget	YTD Variance	Status	Full Year Prediction	Annual Plan Budget	Variance Full Year Prediction	Explanation of Variances of \$50,000 or greater
Water Supplies	0	0	0	▲	0	0	0	
Community Facilities	34,471	74,737	40,266	▲	77,552	77,552	0	
Roading & Transport	0	0	0	▲	0	0	0	
Solid Waste	78,965	0	(78,965)	■	100,000	0	(100,000)	This expenditure relates to the cost of a study into how construction and demolition material in the District will be managed in the future. The cost is funded by the Ministry for the Environment. That funding creates a variance above. These costs relate to the feasibility stage of a larger project.
Total Additional Grants Expenditure	909,659	74,737	(834,922)	■	1,013,270	77,552	(935,718)	
ADDITIONAL GRANTS PROFIT / (LOSS)	1,764,201	607,788	1,156,413	●	2,374,509	835,499	1,539,010	
Flood Event Revenue								
All Flood Event Revenue	13,590,377	0	13,590,377	●	13,940,196	0	13,940,196	MBIE Housing, NEMA funding, DIA funding, MPI and Waka Kotahi flood events income received.
Total Unbudgeted Flood Event Revenue	13,590,377	0	13,590,377	●	13,940,196	0	13,940,196	
Flood Event Expenditure (excludes Capital Expenditure)								
Flood Event Operational Expenditure	4,197,822	0	(4,197,822)	■	4,547,641	0	(4,547,641)	Flood related operational expenditure to Feb including Mayoral Relief Fund payments. Projection is for operational expenses only, not capital.
Total Unbudgeted Flood Event Expenditure	4,197,822	0	(4,197,822)	■	4,547,641	0	(4,547,641)	
FLOOD EVENT PROFIT / (LOSS)	9,392,555	0	9,392,555	●	9,392,555	0	9,392,555	
TOTAL PROFIT / (LOSS)	6,592,839	(2,388,314)	8,981,153	●	7,387,868	(2,070,706)	9,458,574	

Key
 Favourable ● Favourable variance + \$50k or more
 Unfavourable ■ Unfavourable variance - \$50k or more
 Neutral +/- \$50k ▲ Neutral variance within +/- \$50k

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 11

Prepared by Neil Engelbrecht
Financial Accountant

Lynn Brooks
Finance Manager

Reviewed by Douglas Marshall
Chief Financial Officer

INVESTMENTS AND BORROWINGS – As at 31 May 2023

1. REPORT SUMMARY

This report summarises Council's cash investments and borrowings for the month of May 2023, and compliance with Council treasury management policy.

2. DRAFT RECOMMENDATION

That the Risk and Audit Committee receive the Investments and Borrowings report as at 31 May 2023 for information.

3. ISSUES AND DISCUSSION

3.1 Term Investments

Total term investments (Including call account and other loans) have increased by \$575k since the last report to 30 April 2023 from \$16.933m to \$17.508m at 31 May 2023. The call account increased by \$575k from \$725k at 30 April 2023 to \$1.3m at 31 May 2023.

3.2 Bank Balance

Council's main trading account closing balance was \$432k as at 31 May 2023. The balance increased by \$286k since the last report to 30 April 2023. All of Council's trading account closing balances at the end of May was \$454k.

3.3 Interest Revenue

Interest revenue to the end of May is \$667k against a YTD budget of \$579k and a full year budget of \$797k.

Council continues to reinvest term investment funds at the most favourable interest rate when deposits are available for renewal. The improving interest rates are reflected in the interest revenue for the year.

3.4 Borrowings and Net Debt Position

Total borrowings decreased by \$4.4m since the last report to 30 April 2023. The total borrowings decreased from \$37.6m at 30 April 2023 to \$33.2m at 31 May 2023. The decrease is due to the repayment of short-term borrowings of \$4.4m incurred for additional flood recovery expenditure noted in the prior month.

Net debt (borrowings less term investments and call account balance) has decreased by \$4.975m since last reported from \$22.281m to \$17.306m due to the repayment of the additional short-term advance borrowing noted above and the call account increase noted above of \$575k.

3.5 Compliance with Treasury Management Policy

The Treasury Management Policy of Council is that all term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

Council has approved the investment in Nelson Building Society (NBS) which is a breach of the Treasury Management Policy. The policy limits investments in Building Societies to a total of 10% of the portfolio and an individual Building Society to be no more than the lower of \$1m or 4% of its asset base.

Currently investments in NBS total \$3.468m representing 25% of the total investment portfolio. This planned breach will continue as investments mature and are rolled over as this level of investment is part of a sponsorship agreement.

3.6 Compliance with Financial Strategy Net Debt Limit Set in the Long-Term Plan

The Financial Strategy of Council is that net debt is more than \$25m at any given time. Currently Council's net debt is \$17.306m.

4. CONSIDERATIONS

4.1 Strategic Impact

It is important that Council retains suitable cash holdings and credit facilities to ensure its activities and capital projects can be funded in a timely and affordable manner.

4.2 Significance Assessment

The significance policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant because the matters disclosed are of a routine nature, and not large in terms of total assets and total annual operations of council.

4.3 Values Assessment

The Buller District Councils values are: One Team; Community Driven; We Care; Future Focussed; and Integrity.

Treasury management functions and reporting align most strongly with the values of Future Focussed and Integrity.

Consideration of current and future cash requirements and intergenerational equity are required when managing cash deposits and credit facilities.

Public reporting of investments and borrowings encourages open and honest discussion and decision making.

4.4 Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Cash flow management is an integral part of ensuring Council is able to deliver the services and projects it has committed to in successive Long Term and Annual Plans.

This risk is mitigated by establishing policies and procedures, engaging staff to manage investment and borrowings and regular reporting to Council to ensure high level oversight.

4.5 Policy / Legal Considerations

The Local Government Act 2002 and associated regulations prescribe prudent financial management and nationwide benchmarks. The financial prudence benchmarks are now compulsory sections included in Council Long Term/Annual Plans and Annual Reports.

Council's Investment Policy and Treasury Policy govern the management of cash assets and borrowings.

4.6 Tangata Whenua Considerations

None identified.

4.7 Views of Those Affected

Council's financial strategies, investment levels and borrowing projections are included in the Long-Term Plan and Annual Plan consultation processes.

4.8 Costs

There are no extraordinary costs relating to investments and borrowings.

4.9 Benefits

The benefits of structured Treasury management include risk minimisation, prudent cash management and long-term financial stability.

4.10 Media / Publicity

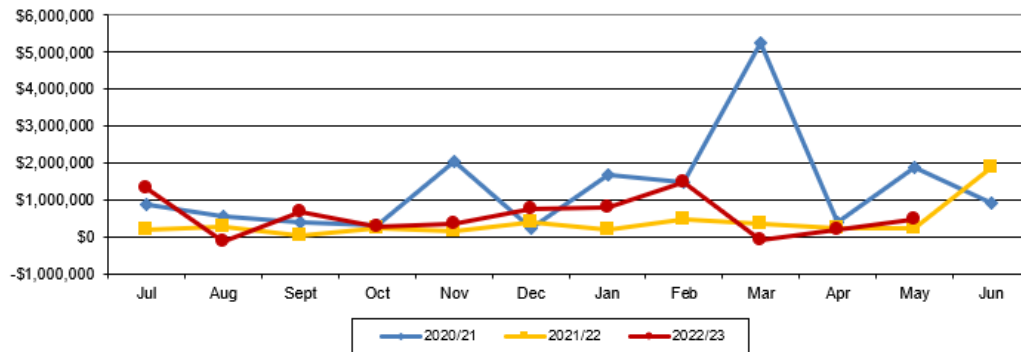
None identified.

INVESTMENTS AND BORROWINGS REPORT

1. BANK BALANCE

	This Month 31-May-23	Last Report 30-Apr-23	Last Year 30-Jun-22
Trading Account Council	\$432,166	\$146,064	\$1,866,900

2. MONTH END BANK BALANCES



3. SUMMARY OF INVESTMENTS

	This Month 31-May-23	Last Report 30-Apr-23	Last Year 30-Jun-22
Term deposits	14,107,472	14,107,472	16,377,141
LGFA Borrower Notes	500,000	500,000	455,000
Call Account	1,300,000	725,000	700,000
Balance before other loans	15,907,472	15,332,472	17,532,141
Other investments (Includes loan to Holding Company)	1,600,982	1,600,982	1,610,982
Total Investments	\$17,508,454	\$16,993,454	\$19,143,123

3.1 Term Deposits

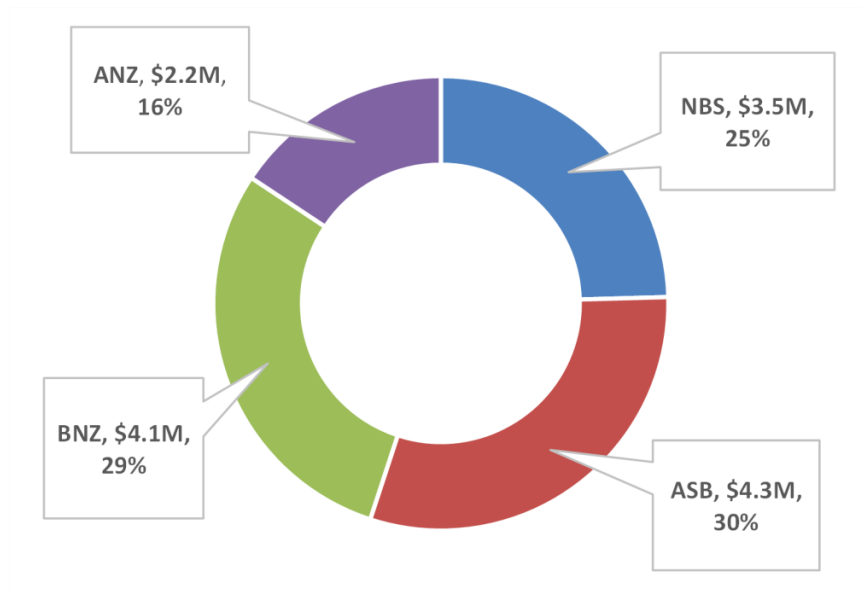
Investment Type	Counterparty	Amount	Start Date	Maturity Date	Fixed Interest Rate
Term Deposit	NBS	534,038	13-Dec-2022	13-Jun-2023	4.50%
Term Deposit	ASB	977,776	23-Dec-2022	23-Jun-2023	4.55%
Term Deposit	NBS	1,000,000	29-Jun-2022	29-Jun-2023	3.65%
Term Deposit	BNZ	1,000,000	30-Jun-2022	30-Jun-2023	3.65%
Term Deposit	NBS	1,534,038	18-Jul-2022	18-Jul-2023	3.65%
Term Deposit	ASB	1,000,000	23-Jan-2023	26-Aug-2023	4.90%
Term Deposit	ASB	1,325,000	6-Mar-2023	13-Sep-2023	5.63%
Term Deposit	BNZ	500,000	10-Apr-2023	7-Oct-2023	5.10%
Term Deposit	ANZ	1,199,821	10-Oct-2022	9-Oct-2023	4.10%
Term Deposit	ASB	1,000,000	12-Oct-2022	12-Oct-2023	4.20%
Term Deposit	BNZ	1,000,000	10-Mar-2023	5-Nov-2023	4.70%
Term Deposit	BNZ	1,636,800	4-Mar-2023	29-Nov-2023	5.25%
Term Deposit	ANZ	1,000,000	4-May-2023	29-Jan-2024	5.50%
Term Deposit	NBS	400,000	07-May-2023	6-May-2024	5.75%
Total Term Deposits		14,107,472			

The objective of this table is to show a trend of rising interest rates over the past 12 months.

There were 4 term deposits maturing during of June, which have been renewed on the following terms:

- NBS - \$534,038 renewed for 180 days until 13 December 2023 at 5.30% per annum.
- ASB - \$977,776 renewed for 180 days until 23 December 2023 at 5.60% per annum.
- NBS - \$1,000,000 renewed for 365 days until 1 July 2024 at 5.75% per annum.
- BNZ - \$1,000,000 renewed for 365 days until 29 June 2024 at 5.65% per annum.

3.2 Term Deposits Summary by Trading Bank

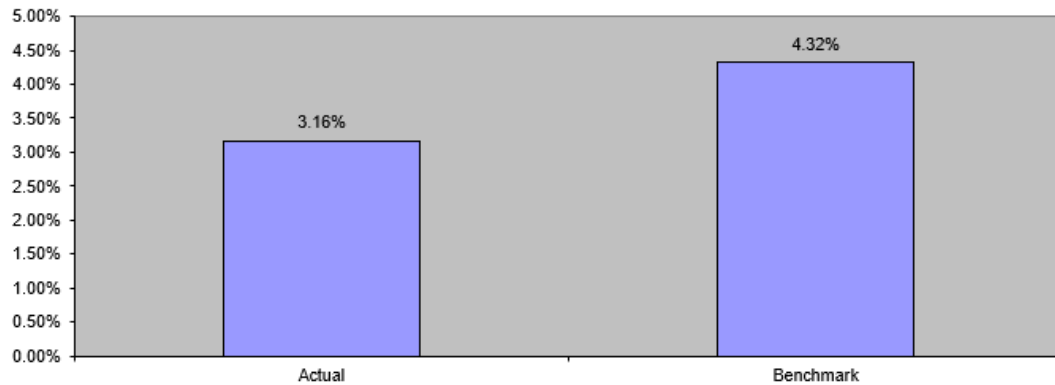


The maximum allowable investment per issuer is \$10m.

3.3 Local Government Funding Agency Borrower Notes

Investment Type	Counterparty	Amount	Maturity Date	Floating Interest Rate
LGFA Borrower Note	LGFA	125,000	1-Mar-2024	4.80%
LGFA Borrower Note	LGFA	125,000	1-Mar-2025	4.83%
LGFA Borrower Note	LGFA	125,000	1-May-2026	4.65%
LGFA Borrower Note	LGFA	125,000	1-Mar-2027	4.99%

4. INVESTMENTS PORTFOLIO PERFORMANCE (12-Month Average)



5. INTEREST REVENUE AND EXPENSE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$667,488	\$579,458	\$796,699

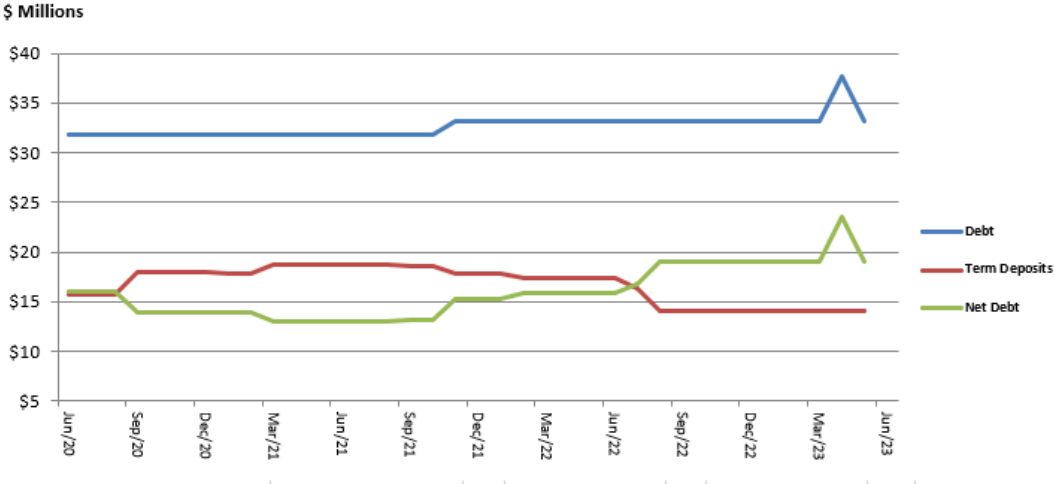
	Actual YTD	Budget YTD	Budget Full Year
Interest Expense	\$1,470,544	\$1,421,664	\$1,755,372

6. SUMMARY OF BORROWINGS

	This Month 31-May-23	Last Report 30-Apr-23	Last Year 30-Jun-22
External Debt			
Westpac Loan Facility	13,213,860	17,613,860	13,213,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
	\$33,213,860	\$37,613,860	\$33,213,860
Weighted Average Interest Cost	4.98%	5.11%	4.07%

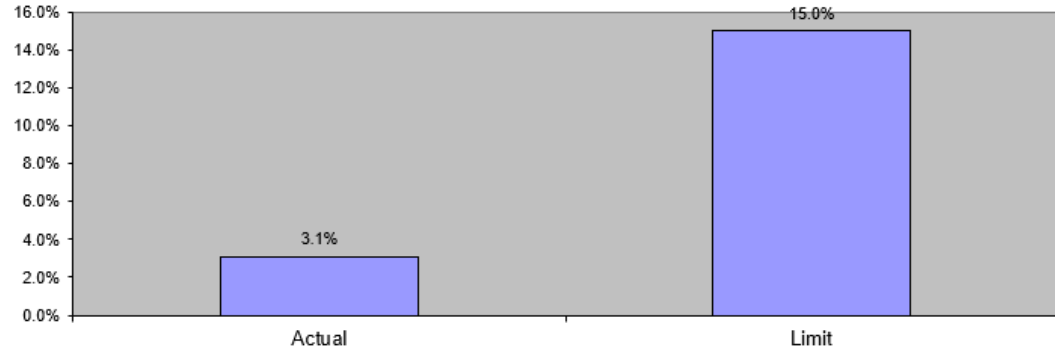
Net Debt			
Total Borrowings	33,213,860	37,613,860	33,213,860
Less: Term deposits (including Call Account)	15,907,472	15,332,472	17,532,141
	\$17,306,388	\$22,281,388	\$15,681,719

7. DEBT AND INVESTMENTS 3-YEAR TREND

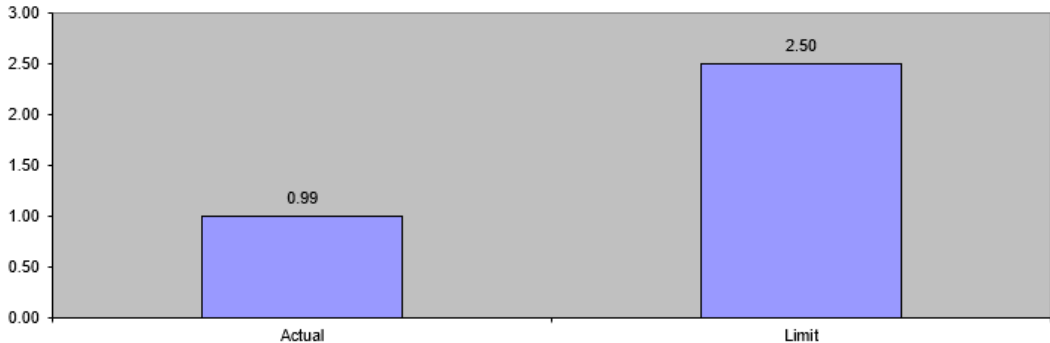


The above graph reports net debt as: gross debt held with external parties; less terms deposits excluding the call account. The definition used by this graph is in line with Council's Treasury Policy but differs from how investments and net debt are expressed in other parts of this report that include the call account. The increase shown in the net and gross debt above for the month of April is due to the short-term borrowings of \$4.4m related to flood recovery costs. This loan was repaid during May 2023.

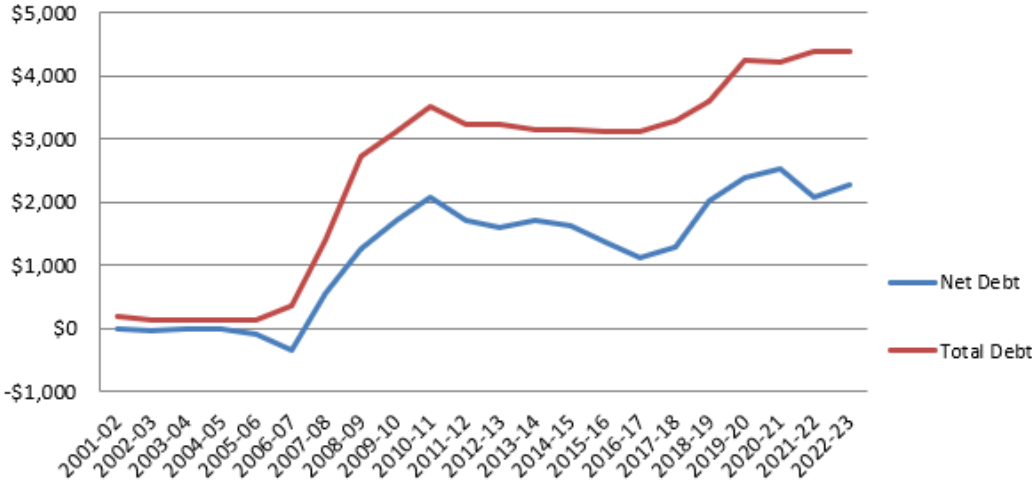
7.1 Interest Expense / Total Income



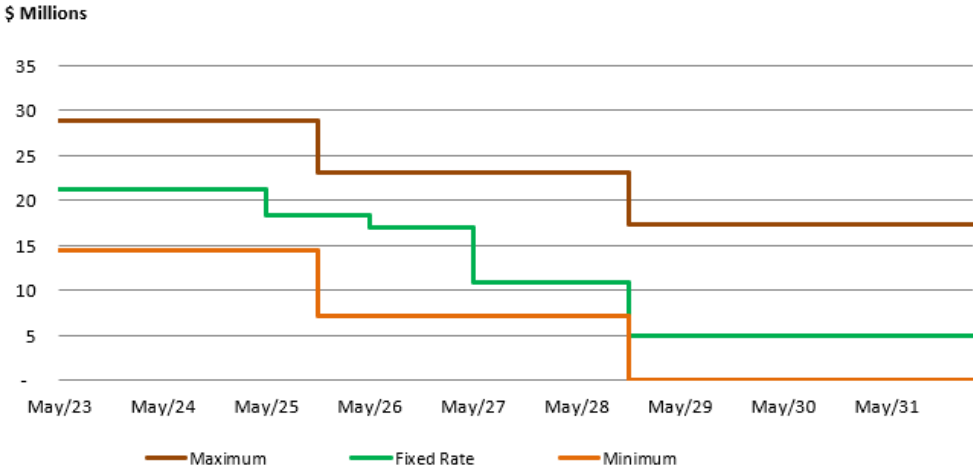
7.2 Gross Debt / Total Income



7.3 Debt and Net Debt per Rateable Property



7.4 Fixed Rate Debt - Compliance with Treasury Policy



RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 12

Prepared by: Douglas Marshall
Chief Financial Officer

Attachments: Attachment 1 - RAC Work Plan

RISK AND AUDIT WORK PLAN

1. DRAFT RECOMMENDATION

That the Risk and Audit Committee receive the Risk and Audit Work Plan for information.

**Risk and Audit Committee
Proposed Programme 2023 Calendar Year**

Categories/Reports Proposed	SLT Member	Reporting Officer	July	August	September	October	November	December
Risk & Assurance Items								
NZTA Procedural Audit	IS	Manager Infrastructure Delivery						
Ernst & Young Report on BDC's Annual Report and Its Preparation	CFO	Finance Manager						
Strategic Risk Register Update	CFO	CFO	✓			✓		
Strategic Risk Framework Review	CFO				✓			
Health and Safety Report Update	CFO	HR			✓			✓
BHL Letter of Expectation	CFO							✓
CCO Statements of Intent	CFO	Finance Manager						
CCO Director Appointments and Remuneration	CFO	Finance Manager						
BHL Quarterly Financials	CFO	Finance Manager			✓			✓
BHL Annual Report	CFO	Finance Manager				Receive CCO Annual Reports		Adopt Annual Report
Westport Airport Authority Financials - 30 June	CFO	Finance Manager					✓	
Westport Airport Authority Financials - Half year	CFO	Finance Manager			✓			
Insurance	CFO	Management Accountant			Insurance Update Report			Finalise
Review of BDC Created Policy	CFO					✓		
Review of Business Continuity Plan	CFO						✓	
Internal Audits								
Dredge Activities	CFO	Project Accountant	✓ as per May minutes			✓		
Harbour Activities	CFO	Project Accountant	✓ as per May minutes				✓	
Follow-up on Ernst & Young Matters Raised in Their Annual Report	CFO	Finance Manager	✓		✓			
Monitoring Items								
BDC Quarterly / Half Yearly Financials	CFO	Finance Manager		✓			✓	
BDC Monthly Financial Performance Report	CFO	Financial Accountant	✓		✓	✓		✓
BDC Investments and Borrowings	CFO	Finance Manager	✓	✓	✓	✓	✓	✓
BDC Debtors	CFO	Finance Manager			✓			✓
BDC Capital Receipts and Expenditure	CFO	Financial Accountant		✓			✓	
PIP Report	CEO	CEO	✓	✓	✓	✓	✓	✓
Capital Report Multi-Year Projects								✓

The following items are not directly related to the Risk & Audit work programme but are provided to note when staff have key programmes of work

Major Financially Based Reports to be Prepared in the 2023 Calendar Year								
Annual Plan								
Long Term Plan			Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption
BDC Annual Report			Preparation of Annual Report	Preparation of Annual Report	Preparation of Annual Report	Preparation of Annual Report	Final Audit	Adopt & Publish Annual Report & Summary Document
Rating Policy Review								
Rating Policy Review			Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption	Preparation and Adoption

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 13

Prepared by - Sean Judd
- Acting Chief Executive

Appendix 1 - Projects in Partnership Report & NEMA Update

MONTHLY REPORT – PROJECTS IN PARTNERSHIP UPDATE REPORT

1 REPORT SUMMARY

This report provides an update on the progress of the Projects in Partnership Steering Committee. It will be provided to the Risk and Audit Committee on a regular basis until the projects are completed. See attached for progress reports as listed below.

2 DRAFT RECOMMENDATION

That the Risk and Audit Committee receive the Projects in Partnership Update Report for information.

3. REPORTS

NEMA Reports

- *NEMA Financials Tranche 2*

PiP Reports

- *3 Waters*
- *Betterment*
- *Wharf Repair*
- *Tiphead*
- *Dredging (verbal update to PiP committee only)*
- *Reefton Stopbank*
- *Reefton Landfill*
- *DIA Better Off Funding (BOF) projects*
- *IAF Funded Projects (**public excluded**)*

Projects in Partnership Meeting – DRAFT Minutes
Monday 12 June 2023
4.00 – 5.00 pm, Clocktower Chambers and via Zoom

Present:

- Chairperson and Mayor Jamie Cleine (JC); Councillor Phil Grafton (PG); BDC Acting CEO Sean Judd (SJ); BDC Acting Group Manager Infrastructure Services Mike Williams (MW); Minute Taker Kirstin McKee

- Attending via Zoom: BDC Programme Manager - Recovery Penny Bicknell (PB);

- Apologies; Warren Gilbertson (Kanoa) WG; NEMA Suzy Paisley (SP); NEMA Radha Gounder (RG); Ngāti Waewae Ned Tauwhare (NT); BDC CFO Douglas Marshall (DM);

Note: Warren Gilbertson and Phil Rossiter will no longer be attending these meeting.
Suresh Ram from Kainga Ora will attend for the IAF funding portion.

1. Welcome and Introduction

Meeting started at 4.01 pm.

2. Previous Meeting Minutes

No issues raised, clarified, or corrected.

Minutes accepted as tabled

3. Update on news/developments/issues from government

No further updates from W Gilbertson.

4. NEMA Tranche 2 Funding

P Bicknell (PB) spoke to this report, noting that Tranche 1 financials are completed as the final submission was made for this claim last month.

- NEMA Financial Report Tranche 2

Refer to the claims portion at bottom of summary.

On Hold \$93,801K, PB met with NEMA to discuss a couple of invoices and we now have an agreement of \$50K of this \$93K. The remainder of this plus other pending Teams invoices and PMO costs will be discussed with NEMA on their 30 June visit to Westport with their new Deputy CE John Price.

Other claims that are invoiced, a couple are outstanding; Claim 4 has been paid since this report was provided; Claim 5 has also been received. Just \$55K of Claim 6 is outstanding. We have submitted a claim for the balance for \$938,899 on 20 May.

P Bicknell spoke to the following reports:

5. Projects in Partnership Reports

NEMA FUNDED PROJECTS

3 Waters

Now at the end of the 3 Waters repairs programme (with the exception of the Brick Arch), with a surplus of \$372,595. The project manager is closing these out with the final repairs works and handing back to asset managers.

Brougham Street Brick Arch is going through the final scope and then go into consent and design, then procurement. Some challenges with land ownership as the arch went underneath KiwiRail land. \$160K worth of work left to do on this project.

Betterment - Noting a couple of errors on page 3 of report (a couple of these are complete, as opposed to still in construction). To be corrected for the next report.

Pump station – Tender expected by end of this week, this contract to be awarded by beginning of July.

Stormwater backflow prevention - 4 have been completed. 1 left - to be completed in August.

Grit and settlement – (Co-funded with IAF). Currently with Davis Ogilvie to continue with design works.

Domain Stormwater – Complete.

Alternative Water Supply Work – Progressing with Davis Ogilvie

Mill & Roebuck Street – Complete

Coates Street – Calibre report received, currently in planning phase for this work.

Discussion re the delays in this design work. Calibre were depending on LIDAR information, however had to carry out a visual survey of the area. There was an issue with how flat the Coates Street area is and where to place the pump station.

Wharf Repair

Phil Rossiter received final designs from W2 last week. Design features report to come in next two weeks which will summarise the key engineering details. Independent Cost Check quantity surveyor about to be engaged. Currently working on a statutory review of the consents and approvals. Next stage - putting this out for procurement. This should be completed by end of financial year 2024

Tiphead

Almost completed, handing back to the owner and discussing the on-going maintenance of the planting. \$228,770 surplus here. (NB: Surplus amounts are put into the contingency line in report).

Once it is known where we would like to move the surplus too, a recommendation will be forwarded to NEMA for their approval. This money will then be put into a separate project ID.

Dredging (verbal update) - no update

Reefton Campground Stopbank

Project will be completed once the resource consent is issued. \$79,638 sitting in the contingency line for this project.

Reefton Historic Landfill

Correction on first page, schedule should say “work due to commence on site 29 May” (not “early late 2023”). Work in progress according to plan. This is due to close out end of August.

DIA - BETTER OFF FUNDING (BOF) PROJECTS

Currently working on producing a summary of financials, (similar to the T2 NEMA financials). This will make it clearer as to progress.

DIA accounting have completed their portal. By end of June we are required to upload our cashflow forecasts. We can then complete the continuation section for Waimangaroa water project which makes this \$650K available for any new project submission with the June council meeting being the date for this submission.

Reefton Wastewater modelling – DIA have requested the proposal for this work.

Smoke Testing - \$400K - we have spent \$200K to date, have variances off \$100K to the Westport critical water project, with \$100K kept in the budget for further work.

Climate Change adaption – Budget confirmed with Di Rossiter. University of Canterbury contract has been signed. MBIE is paying 60/40 co-funding for this research, will get underway by the end of this month. This will assist with future legislation that comes out with recommendations where we can and cannot build as well as assisting with community engagement.

Master Planning – has synergies with the multi tool planning. Early scoping procurement documentation that we have created. Meeting with P Zaanen tomorrow to progress.

Community Hub – going well. Feldspar are working with all stakeholders. Looking to have a workshop in early July once they have met with Iwi.

Civil Defence – Currently ensuring the IT component is proven, hope to complete in the next couple of months, waiting for information re generators.

Discussion re Lithium ion generator which can run a Starlink or laptop for up to 8 hours (with solar backup). Long lasting but takes 8 hours to recharge. Looking at another model that can charge up in just over an hour. To resolve this technical problem before ordering.

Airport relocation – links to master planning, discuss with P Zaanen tomorrow.

Karamea water – \$15K left to finalise final pieces.

JC queried re why this work has been able to proceed when Waimangaroa hasn't.

PB answered - as Karamea was not budgeted for in the Annual Plan (AP) (or 3 year plan) whereas Waimangaroa was. If it is beyond that 4 years plus, funding is available as you are bringing it forward and accelerating the work. However if it is in any of the Plans, then it is seen as a rates rebate which DIA will not consider.

PB commented the Better off Funding report to come to council in June re the \$650K - that Councillors will be provided with clear Q&As from DIA to understand why Waimangaroa water couldn't be included.

JC queried the Communications section at end of report. The last sentence refers to “Tranche 2 funding has been withdrawn by Government” – what is this?

PB clarified this was the original \$10.5M from DIA Better off Funding that was in Tranche 2 that was then dropped out of the latest version of the reform. This will be made clearer in the next report.

All the Better Off Funding can go into public.

**NEMA Tranche 2 Programme
For Period 2022/23 - May**

	CURRENT BUDGET (Total)	TOTAL COST TO DATE	TOTAL REVENUE TO DATE	Claims	FORECAST COST TO COMPLETE	FORECAST AT COMPLETION	PROJECT VARIANCE
WP1 Drinking Water Repairs	0	94,312	(79,498)	(6,449)	(8,365)	0	0
Expenses	329,848	94,312			235,536	329,848	0
Revenue	(329,848)		(79,498)	(6,449)	(243,901)	(329,848)	0
WP2 Stormwater Repairs	0	134,621	(68,265)	(28,465)	(37,891)	0	0
Expenses	456,600	134,621			321,979	456,600	0
Revenue	(456,600)		(68,265)	(28,465)	(359,870)	(456,600)	0
WP3 Wastewater Repairs	0	500,592	(248,448)	(107,774)	(144,370)	0	0
Expenses	480,400	500,592			(20,192)	480,400	0
Revenue	(480,400)		(248,448)	(107,774)	(124,177)	(480,400)	0
WP4 CCTV and Cleaning	0	998,773	(680,938)	0	(317,836)	0	0
Expenses	1,183,903	998,773			185,130	1,183,903	0
Revenue	(1,183,903)		(680,938)	0	(502,965)	(1,183,903)	0
WP5 3W Inspections	0	28,550	(27,923)	0	(627)	0	0
Expenses	61,000	28,550			32,450	61,000	0
Revenue	(61,000)		(27,923)	0	(33,077)	(61,000)	0
Project Management WP 1-5	0	226,057	(167,327)	(7,444)	(51,286)	0	0
Expenses	0	226,057			(226,057)		
Revenue	0		(167,327)	(7,444)	174,770	0	0
WP6 3W Betterment Projects	0	328,047	(117,606)	(108,641)	(101,801)	0	0
Expenses	1,582,000	328,047			1,253,953	1,582,000	0
Revenue	(1,582,000)		(117,606)	(108,641)	(1,355,753)	(1,582,000)	0
WP7 Westport Port Repairs	0	157,404	(128,979)	(9,000)	(19,425)	0	0
Expenses	5,920,000	157,404			5,762,596	5,920,000	0
Revenue	(5,920,000)		(128,979)	(9,000)	(5,782,021)	(5,920,000)	0
WP8 Westport Dredging Project	0	1,701,000	(882,000)	(504,000)	(315,000)	0	0
Expenses	4,716,000	1,701,000			3,015,000	4,716,000	0
Revenue	(4,716,000)		(882,000)	(504,000)	(3,330,000)	(4,716,000)	0
WP9 Inangahua River Projects	0	408,605	(343,262)	(6,170)	(59,173)	0	0
Expenses	1,224,000	408,605			815,395	1,224,000	0
Revenue	(1,224,000)		(343,262)	(6,170)	(874,568)	(1,224,000)	0
WP10 Tiphead Repairs	0	756,997	(583,120)	(160,956)	(12,921)	0	0
Expenses	1,000,000	756,997			243,003	1,000,000	0
Revenue	(1,000,000)		(583,120)	(160,956)	(255,924)	(1,000,000)	0
Programme Management	0	84,566	(49,280)	0	(35,287)	0	0
Expenses	190,440	84,566			105,874	190,440	0
Revenue	(190,440)		(49,280)	0	(141,160)	(190,440)	0
TOTAL							
Expenses	17,144,191	5,419,524		0	11,724,666	17,144,191	0
Revenue	(17,144,191)		(3,376,645)	(938,899)	(12,828,647)	(16,795,427)	0
Deductions	348,764				0		
Total	348,764	5,419,524	(3,376,645)	(938,899)	(1,103,981)	348,764	0

	Costs	Threshold	on Hold	Ineligible	Invoiced	Paid	Paid from \$1mil advance
Pre Tranche 2 approval (60%)	457,846.15	-	173,850.00		-		283,993.15
Claim 1	957,121.42	-	174,914.00		782,207.42	782,207.42	
Claim 2 (40%)	185,760.47				185,760.47	185,760.47	
Claim 3	632,903.36		-	91,028.25	-	537,577.88	537,577.88
Claim 4	1,104,415.37		-	24,486.25		1,084,973.21	1,084,973.21
Claim 5	739,294.89		-	1,800.00		730,720.75	730,720.75
Claim 6	55,404.93					55,404.93	
Claim 7 under review	938,898.80			50,055.00			
Balance to be Claimed	347,879.07						
Total	5,419,524.46	-	348,764.00	-	67,259.50	-	4,297.23
					3,376,644.66	3,376,644.66	283,993.15



PMO -Project Report - Flood Recovery - Return to Service - Work Packages 1 - 5

Programme/Project Details

Location and Region:	Whole of Buller District. Works concentrated in Westport which received the most damage from the 2 event..
Project Budget:	\$2,511,751
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	NEMA
Project Manager:	Mark Wiechern
Programme Outcomes:	This Programme of works covers all 3W repair (Drinking Water/ Stormwater/ Wastewater) in Work Packages 1-5. The programme encompassed both the July 2021 and February 2022 severe weather events damage. 60% of funding is from NEMA, and the remaining 40% is by Cabinet approval of the T2 funding submission (outside of NEMA policy).

Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)

Aspect	Status	Comments
Overall:	G	Repair works have progressed well. Approximately 95% complete by tasks or 92% complete by cost vs projected total costs.
Budget:	G	Work will complete under original estimates by a value approximating slightly above the contingency allowed for this repairs programme
Scope:	A	Still require scope sign-offs by NEMA for Brougham brick arch.
Resource:	A	Should be ok however the engaged contractors have increasing work loads from competing projects/funding streams. Requires strict management by PM for priorities.
Schedule:	G	All works excluding Brougham brick arch to be closed by March 31. Brougham Brick Arch closed by June 30 at the latest due complexity of access.
Risks / Issues:	A	Mainly Resourcing as above. Potential for Brougham Brick arch repair to exceed NEMA approved budget for that item

Current Updated Programme	
Previous Reporting Period	Next Reporting Period
<p>June work included closing out the financial/transactional aspects of the final waste water pump station electrical repairs bringing all costs into the ledger. The design, consent and land access aspect of the Brougham Brick arch repair represented many hurdles to straddle and I am happy to report all requirements have now been met allowing the scope to go to the market for pricing. These hurdles included considerations such as Kiwirail grants and permits process and standard timeframes, Kiwirail leasee approvals, Heritage NZ assessments and approval, LINZ permission and thorough structural/civil design allowing for 100 year flood forces. The Brougham brick arch repair is now the sole remaining item in the NEMA repairs programme of projects. In this period NEMA also approved the \$15k allocated contribution to the Waimangaroa water supply access track repair (washed out road/exposed water pipe at undersized culvert location.)</p>	<p>Receiving market pricing for the Brougham brick arch repair scope and presenting to NEMA for review/approval will be the main focus for July. This final task has presented many challenges with land ownership and Kiwirail process and permits presenting the biggest challenge. Compiling and forwarding any final closing asset data requirements to the asset team relating to repairs completed will also be a focus.</p>

Updated Project Road Map/Schedule													
Project task	2022			2023									Comments
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Planning and BDC Approvals	█	█	█	█									
Easements and access Agreement					█	█	█	█					
Construction (Includes continuation of HDD Design)					█	█	█	█	█	█	█	█	
Construction Complete									█	█	█	█	
Commissioning and Testing									█	█	█	█	
Handover and Asset Manager Acceptance								█	█	█	█	█	

Milestones				
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments
Westport WWTP Diffusers Replacement	31-Mar-23	28-Mar-23	100%	
Westport WWTP Grit Cleaning	31-Mar-23	28-Mar-23	100%	
CCTV - Final Remaining Sites	16-Dec-22	31-Jan-23	100%	
Domett St Tomo - Damaged Pipe Repair	16-Feb-23	31-Mar-23	100%	
Cats Creek - Clean out Flood Silt	1-Oct-22	1-Oct-22	100%	
Westport Waste Pump Stations - Remainii	31-Mar-23	31-May-23	100%	
Waimangaroa Drinking Water Repair	1-Feb-23	28-Feb-23	100%	
Reefton Reservoir Access Track	16-Mar-23	30-Apr-23	100%	
Brougham St Brick Arch - CCTV and Clean-	31-May-23	30-Sep-23	16%	
Reefton Brick Arch CCTV	16-Dec-22	31-Jan-23	100%	
Emergency works, repairs and clean ups p	31-May-22	31-May-22	100%	
0	0-Jan-00	0-Jan-00	0%	

Financials							
Budget and Expenditure Summary							
Programme/Project Item	Original Budget	Current Budget	Cost To Date	Forecast Cost to Complete	Estimate at Completion	Project Variance	Commentary
Business Case (Phase 0)	\$0	\$0	\$0	\$0	\$0	\$0	
Planning (Phase 1 - 3)	\$0	\$0	\$4,974	\$0	\$4,974	\$4,974	
Consents/Approvals (Phase 4)	\$0	\$0	\$0	\$0	\$0	\$0	
Design (Phase 4)	\$0	\$0	\$16,515	\$0	\$16,515	\$16,515	
Construction (Phase 4)	\$1,962,180	\$1,962,180	\$1,694,713	\$120,000	\$1,814,713	-\$147,467	
Closeout (Phase 5)	\$0	\$0	\$0	\$0	\$0	\$0	
Project Management	\$226,837	\$226,837	\$268,389	\$19,500	\$287,889	\$61,053	
Contingency	\$322,734	\$322,734	\$0	\$387,660	\$387,660	\$64,925	
Total	\$2,511,751	\$2,511,751	\$1,984,591	\$527,160	\$2,511,751	\$0	
				Excluding Contingency of		\$ 387,660	

Risks/Issues/Outcomes

Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)

Risk ID - Risk/Issue	Mitigation	Residual Risk
WP1 - WP5 / 2 - BDC will be forced to utilise AP funds to remedy (unplanned, possibly unbudgeted works)	No proceeding until BAU Funds are ear-marked as backup.	9
WP1 - WP5 / 6 - Westport Waste Treatment Plant - long lead time on parts	Discuss with Pgm Manager to raise with NEMA for consideration	4
WP1 - WP5 / 4 - Potential delays at certain flood 'repair' sites due to inclement weather (E.g. Reefton Access Track)	Manage the contractors schedule	2
WP1 - WP5 / 5 - Risk that information or records of work may not be suitable for the Planning Team (AssetFinder Input)	Identify the items required with the BDC Planning Team and discuss with suppliers in first instance	2

Communications

An update on media, marketing and communication activity for the programme/project

Key achievements/outcomes
 Ongoing public stakeholder engagement continues with a number of news media statements and articles being published. The monthly Flood Recovery update Bulletin remains the primary community engagement tool for the 3W repairs and recently provided an update to the public in late April in the local newspaper. As the Programme draws to an close in the coming months, a summary media release should be considered to summarise the extent of work undertaken by Council and it's contractors.

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 – 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 – 14 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 – 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 – 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence

Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

		Risk Assessment Matrix				
Consequence	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
		Likelihood				

PMO - Bundle Report - Three Waters - Stormwater & Drainage - NEMA T2 Betterment - WPt	
Programme/Project Details	
Location and Region:	Westport
Project Budget:	\$1,582,000
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	NEMA
Project Manager:	Rob Poole
Programme Outcomes:	The scope is made up of 8 sub-projects that fall under the NEMA Betterment funding source. The programme of works objective is to provide 3W flood resilience to select priority assets across the reticulated networks (Stormwater, Wastewater and Drinking Water) for Westport. Westport WWTP is jointly funded between NEMA and IAF



Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)		
Aspect	Status	Comments
Overall:	G	The Programme has been prioritised by BDC and accepted by NEMA
Budget:	A	\$1,582,000 * WWTP Project is jointly funded between IAF (\$250k) and NEMA (\$500k) * The lifting of all Pump stations will not fit within the current budget. This will require careful management of costs
Scope:	G	This programme of works includes the following projects from both the July 2021 and February 2022 flood events: * Lifting flood damaged Wastewater Pump Station electrical cabinets above the 1% AEP flood height (1 in 100yr) * Provide backflow prevention to 5no. Stormwater outfall locations * WWTP Grit and Sediment Removal Plant & Replacement Screen * Coates St SW Upgrade * Westport Domain SW Reinstatement * Alternative Drinking Water Supply Investigation * Mill & Roebuck St SW manholes
Resource:	G	Backflow prevention, Mill St, Roebuck St and Domain - WestReef Westport WWTP - Design by Davis Ogilvie. Construction TBC Coates St - Design by Calibre. Construction TBC Raising Pump Stations - Design and construction TBC Alternative Drinking Water - Design TBC. Provisionally Davis Ogilvie
Schedule:	G	Physical works began in Feb 23. Last project to be completed in early 2024 (Westport WWTP)
Risks / Issues:	G	Reducing scopes of some projects to ensure they remain under the budget

Current Updated Programme	
Previous Reporting Period	Next Reporting Period
WW Pump Stations - Tenders received from 2 contractors SW Backflow Prevention - WestReef have installed 4 of 5 with the last scheduled for August 23. WW Grit & Sediment - Engagement of Davis Ogilvie underway, contract signed 24/4/23. Started on 1 May 23 Domain SW Drainage - Installation of sump. COMPLETE Alt Drinking Water Supply - Engagement with DO to undertake works PCG meeting undertaken. DO progressing with desk top study Mill St manhole replacement - Awaiting programme from WestReef. Requires 1 week of dry weather Roebuck St - COMPLETE 31/3/23 Coates St - Calibre have completed the preliminary design and are now working on the final	WW Pump Stations - Tender evaluation and award contract 3/7/23 SW Backflow Prevention - Cats Creek 2 to be completed in August. WW Grit & Sediment - DO to continue with design works Domain SW Drainage - COMPLETE Alt Drinking Water Supply - DO to commence with Desk Top Study. Mill & Roebuck St - Complete Coates St - Final design drawings for construction

Updated Project Road Map/Schedule					
Project task	2023				Comments
	Jun-23	Jul-23	Aug-23	Sep-23	
Lifting wastewater pump stations above 1% AE level	Tender	Contract Award	Construction	Construction	Lifting 7-9no flood damaged Wastewater Pump Station electrical cabinets above the 1% AEP flood height in Westport. * Scheduled for completion December*
SW Backflow Prevention - Install WaStops			Construction - Cats Creek 2		Installation of 5no. backflow prevention devices within the Westport SW network.
WWTP – Grit/Sediment and Screen Plant	Design	Design	Design	Design	Installation of a new combined Grit/Sediment and Screen plant at the Westport WWTP. * Scheduled for completion December*
Coates Street SW Upgrade - Stage 1	Design	Contractor Procurement	Contractor Procurement	Construction	Design and installation of open swale drains along Coates/ Forbes Street in Westport.
Westport Domain SW Reinstatement (COMPLETE)					Reinstatement of an old SW drain through the Westport Domain. Changed now to sump install on Menzies St - COMPLETE
Alternative Drinking Water Supply Investigation	Design	Design	Design	Design	Design and investigation of an alternative Drinking Water supply for Westport. * Scheduled for completion December*
Mill St and Roebuck SW Upgrade	Construction Mill St				Upgrading two weak nodes of Westport' s SW network on Mill and Roebuck Streets. Installation of new manholes. Roebuck St - COMPLETE

Milestones				
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments
WW Pump stations - 10243	7-Dec-23	7-Dec-23	25%	Deadline for Tenders: 16/6/23
SW Backflow Prevention - 10244	18-Mar-23	30-Sep-23	80%	4 of 5 installed
WW Grit & Sediment - 10245	13-Dec-23	6-Mar-24	5%	Ongoing design by Davis Ogilvie
Domain SW Drainage - 10246	4-May-23	24-Mar-23	100%	Complete
Alt Drinking Water supply - 10247	18-Oct-23	18-Oct-23	15%	Ongoing study by Davis Ogilvie
Mill St SW upgrade - 10248	26-Mar-23	26-Jul-23	0%	Programmed for late June 23
Roebuck St SW upgrade - 10249	26-Mar-23	29-Mar-23	100%	Complete
Coates St SW upgrade DESIGN - 10250	29-Jul-23	10-Jul-23	50%	Design ongoing

Financials

Budget and expenditure summary

Programme/Project Item	Original Budget	Current Budget	Cost to Date	Forecast Cost to Complete	Final Forecast Cost	Variance	Status	Commentary
WW Pump stations - 1024 3	\$ 313,200	\$ 313,200	\$ 1,180	\$ 312,020	\$ 313,200	\$ -	Tendering	
SW Backflow Prevention - 1024 4	\$ 178,350	\$ 178,350	\$ 114,315	\$ 64,035	\$ 178,350	-\$ 0	In Construction	
WW Grit & Sediment - 1024 5	\$ 435,000	\$ 435,000	\$ -	\$ 435,000	\$ 435,000	\$ -	In Design	
Domain SW Drainage - 1024 6	\$ 15,000	\$ 15,000	\$ 14,186	\$ -	\$ 14,186	-\$ 814	Completed	Following preliminary site investigation in the Domain, the scope of the project changed to a new sump on Menzies St
Alt Drinking Water supply - 1024 7	\$ 174,000	\$ 174,000	\$ 14,807	\$ 159,193	\$ 174,000	\$ 0	In Design	
Mill St SW upgrade - 1024 8	\$ 22,620	\$ 22,620	\$ -	\$ 22,287	\$ 22,287	-\$ 333	In Construction	
Roebuck St SW upgrade - 1024 9	\$ 26,000	\$ 26,000	\$ 25,120	\$ -	\$ 25,120	-\$ 880	Completed	
Coates St SW upgrade - 10250	\$ 217,500	\$ 217,500	\$ 68,228	\$ 149,272	\$ 217,500	-\$ 0	In Design	
Betterment PM costs - 10251	\$ 200,330	\$ 200,330	\$ 90,211	\$ 110,119	\$ 200,330	\$ 0	In Construction	
-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total	\$ 1,582,000	\$ 1,582,000	\$ 328,047	\$ 1,251,926	\$ 1,579,973	-\$ 2,027		
				Excluding Contingency of		\$ 2,027		

Risks/Issues/Outcomes		
Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)		
Risk ID - Risk/Issue	Mitigation	Residual Risk
10243 / 1 - budget is limited to \$360k and it is likely that this is not sufficient for all pump stations	Prioritise order of remediation and cut out pump stations in order to bring project in under budget. Monthly cost tracking throughout.	8
10243 to 10251 / 4 - Long lead times for key components as some are imported.	Specialist consultant to oversee design, procurement and construction	6
10243 to 10251 / 6 - Wet weather will impede the construction programme	Works to be programmed during summer season to reduce risk of rain. Contractor to propose a work method that mitigates inclement weather if and where possible	6
10243 to 10251 / 11 - Limited choice of contractors. Procurement plan states that WestReef can be direct appointed	Early award projects under the 3W minor works contract to WestReef. Monitor progress	6
10250 / 12 - Original plan to drain stormwater to a paddock may not be feasible and a new design will be required	Awaiting design information. Costs of preliminary design are fixed.	6
10243 to 10251 / 13 - caused by cost allotted to project code that's unbudgeted and programme over run.	Monthly financial tracking and forecasting All project costs are only paid once approved by the PM	8

Communications
An update on media, marketing and communication activity for the programme/project

WW Pump Stations - None to date however this will involve substantial community engagement
 SW Backflow Prevention - None required
 WW Grit & Sediment - None required
 Domain SW Drainage - None required
 Alt Drinking Water Supply - No engagement required at this options report stage.
 Mill & Roebuck St - None required
 Coates St - Project will involve some community engagement. So far BDC have been in contact with the local Pony Club to discuss our provisional plans.

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 - 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 - 16 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 - 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 - 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence

Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

		Risk Assessment Matrix				
Consequence	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
		Likelihood				



PMO -Project Report - Infrastructure Strategy - Recovery - Westport Wharf Repair and Reinstatement

Programme/Project Details	
Location and Region:	Westport Port, Bulk Precinct, Buller district, West Coast
Project Budget:	\$5,920,000
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	National Emergency Management Agency (NEMA)
Project Manager:	Phil Rossiter
Programme Outcomes:	<p>Project Scope:</p> <p>This project seeks to repair and reinstate safe and fit-for-purpose wharf infrastructure at the bulk shipping precinct that was damaged during the July 2021 and February 2022 Buller River flood events.</p>

Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)

Aspect	Status	Comments
Overall:	A	The project is following its intended path. Whilst there have been some delays with project tasks, overall, the project timeline remains on target. The repair design is complete with final documentation (drawings) and a Design Features Report being prepared. Follow-on tasks including statutory approvals acquisition; construction-phase procurement; and independent cost estimation are underway. The need for Resource Consent has been confirmed, and a Building Consent Exemption will be processed by the Building Consent Authority under its discretionary authority. Demolition of the adjacent Kiwirail buildings is now complete (via Kiwirail management and cost), which will simplify and de-risk access and repair works (and removes a project ISSUE). The budget is currently considered adequate, although an independent cost-check is underway using the repair design to update the project cost-estimate and verify this view. Whilst this risk (and some construction phase risks) remain, the overall status is shown as amber.
Budget:	A	The budget of \$5,920,000 was based on an estimate and conceptual repair design which introduces a degree of risk (about budget adequacy), however planning and risk mitigation work is underway to increase the likelihood that a fit-for-purpose repair can be achieved with the available budget and there are no significant red flags or indications at this point that it will not be adequate. A high-level indication derived during the 'constructability' review indicated an estimated repair cost that sits inside the available budget but until tenders are received that confirm this, the status of this aspect will be kept as amber to reflect the degree of uncertainty. An independent cost estimate is underway now that the repair design is confirmed to better inform budget adequacy.
Scope:	G	The repair scope has been defined based on a combination of user-input, a detailed structural site inspection, and a recently completed 'constructability' review that has further optimised the repair design. The repair design will be based on Importance Level 3.
Resource:	G	Resources required for this initial stage of the project are secured. Additional resources will be required as the project progresses.
Schedule:	G	There was some early programme slip because of some decision issues, however indicative feedback via the 'constructability' review process indicates the overall programme is still realistic and achievable (hence the 'traffic light' status has been set to Green). The programme currently indicates project completion by mid 2024 however the key determinant of this will be the construction/repair duration that will only be confirmed once tenders are received.
Risks / Issues:	A	A number of risks have been identified and mitigations and management actions are underway and on-going and tracking to plan. The 'traffic light' status of this aspect has been set to amber to reflect the presence of risks and their potential to adversely impact the project, if not controlled.

Current Updated Programme	
Previous Reporting Period	Next Reporting Period
<p>The repair design was completed with final documentation (drawings) and a Design Features Report being prepared for issue.</p> <p>A statutory approvals review was initiated and confirmed resource consent (from the West Coast Regional Council) will be required. Liaison with the Buller District Council (as Building Consent Authority) was undertaken and a Building Consent Exemption will be processed under its discretionary authority. Demolition of the adjacent Kiwirail buildings was completed (via Kiwirail management and cost). An independent cost-check was commissioned to inform budget adequacy.</p>	<p>Receive final repair design documentation and prepare a Building Consent Exemption application.</p> <p>Complete an independent cost-check.</p> <p>Progress the matters required for resource consent (Assessment of Environmental Effects and an Ecological Impact Assessment and Archaeological Assessment).</p> <p>Formalise construction access with Kiwirail.</p> <p>Progress and ready construction repair procurement documentation.</p>

Updated Project Road Map/Schedule														
Project task	2022			2023									Comments	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		Oct
Project management, coordination, and delivery (Sep '22 to Jul '24)	█	█	█	█	█	█	█	█	█	█	█	█	█	Scheduled to continue to July 2024
Investigations & planning (Sep '22 to Apr '23)	█	█	█	█	█	█	█							
Design (Sep '22 to Jul '23)	█	█	█	█	█	█	█	█	█	█				
Consents & approvals (Jun '23 to Aug '23)									█	█	█			
Construction procurement (Jun '23 to Aug '23)									█	█	█			
Construction & site management (Sep '23 to Jun '24)												█	█	Scheduled to continue to June 2024
Handover & closeout (Jul '24)														Programmed to commence July 2024

Milestones				
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments
Conceptual engineering design	23-Sep-22	23-Sep-22	100%	
Geotechnical investigation & assessment	11-Nov-22	11-Nov-22	100%	
Topographical survey acquisition	9-Nov-22	9-Nov-22	100%	
Detailed engineering inspection and assessment	16-Nov-22	16-Nov-22	100%	
Kiwirail liaison and building fate determination	28-Feb-23	28-Jan-23	100%	
Preliminary engineering design	14-Dec-22	14-Jan-23	100%	
Construction supplier engagement/validation (constructability review)	18-Jan-23	24-Apr-23	100%	
Statutory approvals	10-May-23	18-Aug-23	25%	
Detailed design	12-Apr-23	2-Jun-23	100%	
Construction procurement	7-Jun-23	31-Aug-23	20%	
Construction	30-Jun-24	30-Jun-24	0%	
Handover	31-Jul-24	31-Jul-24	0%	

Financials							
Budget and Expenditure Summary							
Programme/Project Item	Original Budget	Current Budget	Cost To Date	Forecast Cost to Complete	Final Forecast Cost	Project Variance	Commentary
Business Case (Phase 0)	\$0	\$0	\$0	\$0	\$0	\$0	
Planning (Phase 1 - 3)	\$0	\$108,000	\$58,539	\$15,000	\$73,539	-\$34,461	
Consents/Approvals (Phase 4)	\$0	\$61,200	\$0	\$50,000	\$50,000	-\$11,200	
Design (Phase 4)	\$0	\$150,000	\$62,855	\$88,130	\$150,985	\$985	
Construction (Phase 4)	\$0	\$5,432,387	\$0	\$5,487,726	\$5,487,726	\$55,339	
Closeout (Phase 5)	\$0	\$12,000	\$0	\$12,000	\$12,000	\$0	
Project Management	\$0	\$156,000	\$36,010	\$109,740	\$145,750	-\$10,250	
Contingency	\$0	\$413	\$0	\$0	\$0	-\$413	
Total	\$0	\$5,920,000	\$157,404	\$5,762,596	\$5,920,000	\$0	

Risks/Issues/Outcomes		
Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)		
Risk ID - Risk/Issue	Mitigation	Residual Risk
10232 / 3 - Because the materials specified in the repair design are scarce and/ or have very long-lead times	Monitor and communicate	8
10232 / 4 - Because it is more complicated than necessary and unfit-for-purpose.	Monitor and communicate	8
10232 / 1 - Because there is insufficient consideration or estimation of cost effective repair/construction approaches and materials and/or collaboration with the construction/repair market	Monitor and communicate	6
10232 / 2 - Because Kiwirail has dilapidated buildings immediately behind some of the wharf area and may not remove (demolish) the buildings (or demolish them in time) to enable cost-effective repair of the section of adjacent wharf	N.B. KIWIRAIL CONFIRMED BUILDING DEMOLITION TO COMMENCE IN FEBRUARY 2023. RISK WILL CLOSE WHEN THIS OCCURS. Monitor, communicate, and adjust repair scope early, if building removal not likely	6
10232 / 5 - Because the project is seen as too hard, or too distant, or not interesting enough relative to other market opportunities at the time	Monitor and communicate	6

Communications
An update on media, marketing and communication activity for the programme/project
 Some external communication/media was undertaken in relation to the geotechnical drilling and investigation work and the purpose of this and relation to the wider repair programme. It is appropriate to progress further planning and design work and clarify matters such as programme timing and next steps before further communications are considered. No physical works are expected at the site until at least spring of 2023. On-going updates have been provided via BDC's communication team as part of wider flood recovery reporting.

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 - 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 - 16 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 - 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 - 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence

Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

		Risk Assessment Matrix				
Consequence	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
		Likelihood				

PMO -Project Report - Flood Recovery - Return to Service - Work Package 10 - Tiphead Rock Revetment Wall Repairs



Programme/Project Details

Location and Region:	Westport Tiphead, Coates Road
Project Budget:	\$1,000,000
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	NEMA
Project Manager:	Robert Poole
Programme Outcomes:	This Project covers repair of flood damage sustained to the BDC Port asset know as the 'Tiphead', a rock revetment training wall, located at the entrance to the Buller River (Westport Port).

Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)

Aspect	Status	Comments
Overall:	G	Project now complete
Budget:	G	Overall, the project has been delivered under budget.
Scope:	G	No further scope required
Resource:	G	No further resource required
Schedule:	G	All works complete
Risks / Issues:	G	NIL

Current Updated Programme

Previous Reporting Period	Next Reporting Period
Project now complete	Formalise contingency distribution

Updated Project Road Map/Schedule													
Project task	2022			2023									Comments
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Planning and BDC Approvals	█	█	█										Complete
Easements and access Agreement	█	█	█	█									Complete
Construction (Includes continuation of HDD Design)		█	█	█	█	█							Complete
Construction Complete						█							Complete
Replanting						█	█						Complete
Handover and Asset Manager Acceptance								█					Complete

Milestones					
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments	
Design	1-Oct-22	1-Oct-22	100%	Complete	
Survey and Modeling	25-Nov-22	25-Nov-22	100%	Complete	
Survey -Initial Site Setout	28-Nov-22	28-Nov-22	100%	Complete	
Survey - Site Extent and Finalise Extent wit	16-Dec-22	16-Dec-22	100%	Complete	
Tender to Market	2-Dec-22	2-Dec-22	100%	Complete	
Physical Works on site	21-Feb-23	17-Mar-23	100%	Complete	
Practical Completion	22-Feb-23	24-Mar-23	100%	Complete	

Financials							
Budget and Expenditure Summary							
Programme/Project Item	Original Budget	Current Budget	Cost To Date	Forecast Cost to Complete	Final Forecast Cost	Project Variance	Commentary
Business Case (Phase 0)	\$0	\$0	\$0	\$0	\$0	\$0	
Planning (Phase 1 - 3)	\$0	\$0	\$0	\$0	\$0	\$0	
Consents/Approvals (Phase 4)	\$0	\$0	\$0	\$0	\$0	\$0	
Design (Phase 4)	\$70,000	\$70,000	\$76,342	\$0	\$76,342	\$6,342	
Construction (Phase 4)	\$780,000	\$780,000	\$537,855	\$0	\$537,855	-\$242,145	
Closeout (Phase 5)	\$0	\$0	\$0	\$0	\$0	\$0	
Project Management	\$100,000	\$100,000	\$142,800	\$0	\$142,800	\$42,800	
Contingency	\$50,000	\$50,000	\$0	\$243,003	\$243,003	\$193,003	
Total	\$1,000,000	\$1,000,000	\$756,997	\$243,003	\$1,000,000	\$0	

Risks/Issues/Outcomes		
Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)		
Risk ID - Risk/Issue	Mitigation	Residual Risk
NONE	#NUM!	#NUM!

Communications
 An update on media, marketing and communication activity for the programme/project
 No more comms required

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 - 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 - 16 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 - 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 - 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence

Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

Risk Assessment Matrix					
Consequence	Likelihood				
	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
Catastrophic (5)	5	10	15	20	25
Major (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Minor (2)	2	4	6	8	10
Insignificant (1)	1	2	3	4	5

PMO -Project Report - Infrastructure Strategy - Recovery - Reefton Campground Stopbank



Programme/Project Details

Location and Region:	Reefton - Buller
Project Budget:	\$150,000
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	NEMA & BDC
Project Manager:	Brendon Russ
Programme Outcomes:	Reefton Campground: The toe of the Reefton Campground stop bank was eroded as a result of both the July 2021 and February 2022 flood events. The Inangahua Riverbed changed course which necessitates the recontouring of the river fairway.

Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)

Aspect	Status	Comments
Overall:	G	River training design has been completed by WSP. Resource consent granted 20 June 2023. Stage One of the river training has been completed by Rosco Contracting. Stage two of the river training was completed during the month of May 2023.
Budget:	G	Forecasted to spend \$70k of the \$150k budget
Scope:	G	The toe of the Reefton Campground stop bank was eroded as a result of both the July 2021 and February 2022 flood events. The Inangahua Riverbed changed course which necessitates the need for recontouring of the river fairway (river training).
Resource:	G	Brendon Russ (BDC-Project Manager), Mark Healey (WSP-Design) & Anne McNoe (WSP-Resource consent application)
Schedule:	G	Design work completed by WSP, Resource consent application by WSP has been completed and ready for submitting to WCRC. Stage one of the river training works have been completed by Rosco Contracting. Stage two river training was completed during the month of May 2023
Risks / Issues:	G	Risk & opportunities register updated and included as part of this report.

Current Updated Programme												
Previous Reporting Period						Next Reporting Period						
Resource consent granted on 20 June 2023.						Project close out.						

Updated Project Road Map/Schedule													
Project task	2022			2023									Comments
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Planning and BDC Approvals													
Resource Consent													WSP have completed a resource consent application for this project
Design													WSP have been engaged to design the river training works. This design has been completed
Construction Stage One – River Training													Completed By Rosco Contracting
Construction Stage Two – River Training													Completed May 2023
Handover and Asset Manager Acceptance													Currently with BDC for signoff

Milestones				
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments
Planning and Scope Approval	1-Aug-22	1-Aug-22	100%	
Resource Consent Granted	28-Feb-23	20-Jun-23	100%	
Design	1-Jul-22	1-Jul-22	100%	
Contract Awarded - Stage One	1-Aug-22	1-Aug-22	100%	
Construction Commenced - Stage One	1-Aug-22	1-Aug-22	100%	
Completion - Stage One	1-Aug-22	1-Aug-22	100%	
Contract Awarded - Stage Two	31-Mar-23	8-Apr-23	100%	
Construction - Stage Two	30-Apr-23	30-May-23	100%	

Financials							
Budget and Expenditure Summary							
Programme/Project Item	Original Budget	Current Budget	Cost To Date	Forecast Cost to Complete	Final Forecast Cost	Project Variance	Commentary
Business Case (Phase 0)	\$0	\$0	\$0	\$0	\$0	\$0	
Planning (Phase 1 - 3)	\$0	\$0	\$0	\$0	\$0	\$0	
Consents/Approvals (Phase 4)	\$10,000	\$10,000	\$0	\$10,000	\$10,000	\$0	
Design (Phase 4)	\$5,000	\$5,000	\$0	\$0	\$0	-\$5,000	
Construction (Phase 4)	\$115,500	\$115,500	\$48,372	\$0	\$48,372	-\$67,128	
Closeout (Phase 5)	\$0	\$0	\$0	\$0	\$0	\$0	
Project Management	\$12,000	\$12,000	\$10,866	\$1,134	\$12,000	\$0	
Contingency	\$7,500	\$7,500	\$0	\$79,628	\$79,628	\$72,128	
Total	\$150,000	\$150,000	\$59,238	\$90,762	\$150,000	\$0	

Risks/Issues/Outcomes		
Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)		
Risk ID - Risk/Issue	Mitigation	Residual Risk
#NUM!	#NUM!	#NUM!

Communications
 An update on media, marketing and communication activity for the programme/project
 No further comms required as the project is now complete

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 - 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 - 16 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 - 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 - 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence		
Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

Risk Assessment Matrix					
Consequence	Likelihood				
	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
Catastrophic (5)	5	10	15	20	25
Major (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Minor (2)	2	4	6	8	10
Insignificant (1)	1	2	3	4	5

PMO -Project Report - Solid Waste - Recovery - Reefton Historic Landfill



Programme/Project Details

Location and Region:	Reefton – West Coast
Project Budget:	\$1,324,000
Reporting Period (ending):	May-2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	NEMA
Project Manager:	Brendon Russ
Programme Outcomes:	Historic Reefton Landfill: The Reefton Historic Landfill was scoured out as a result of the February 2022 flood event. The Inangahua River watercourse is now exposed to the contents of the historic landfill, with the landfill sidewall now requiring reinstatement to return it to its pre-flood condition.

Project Overview/traffic Light Status/High-Level Summary (G = Green- Good ; A = Amber- Warning; R = Red - Issue)

Aspect	Status	Comments
Overall:	G	Design & resource consent application have been completed by WSP. Tender has been awarded to Rosco Contractors. Construction to start 29 May 23 and be completed by 11 August 23
Budget:	G	\$1,324,000 (NEMA \$1,074,000 & BDC \$250,000)
Scope:	G	The Reefton Historic Landfill was scoured out as a result of the February 2022 flood event. The Inangahua River watercourse is now exposed to the contents of the historic landfill, with the landfill sidewall now requiring reinstatement to return it to its pre-flood condition.
Resource:	G	Brendon Russ (BDC-Project Manager), Mark Smith (WSP-Design) & Anne McNoe (WSP-Resource consent application)
Schedule:	G	Design completed, Resource consent granted on 20 June 2023. Work to commenced onsite Late May 2023
Risks / Issues:	G	Risk & opportunities register updated and included as part of this report.

Current Updated Programme	
Previous Reporting Period	Next Reporting Period
Contract awarded to Rosco Contractors Ltd Contractor started onsite 29 May 2023 Rock source inspected by Engineers Representative and approved for use. Engineers Representative Inspected Contractors setout before rock placement commenced Site inspections by the Engineers Representative carried out two times per week	Site supervision Q uality control of rock being brought to site

Updated Project Road Map/Schedule														
Project task	2022			2023									Comments	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
Planning and BDC Approvals														Project Budget approved July 2022.
Resource Consent														WSP have completed a recourse consent application for this project
Design														WSP have been engaged to design on the remedial works required for the Historic Reefton Landfill. This design has been completed
Contract Award														Contract was awarded on 23 May 2023
Construction														Construction is expected to take 10 weeks
Handover and Asset Manager Acceptance														

Milestones							
Milestone / Task	Baseline Finish	Forecast/Actual Finish	% completion	Comments			
Planning and Scope Approval	30-Sep-22	30-Sep-22	100%				
Resource Consent Granted	28-Feb-23	20-Jun-23	100%				
Design	12-Feb-23	17-Feb-23	100%				
Tender	10-Mar-23	10-Mar-23	100%				
Contract Awarded	31-Mar-23	23-May-23	100%				
Construction Period	30-May-23	11-Aug-23	50%				
Handed over and Asset Manager acceptanc	5-Jun-23	18-Aug-23	0%				
Financials							
Budget and Expenditure Summary							
Programme/Project Item	Original Budget	Current Budget	Cost To Date	Forecast Cost to Complete	Final Forecast Cost	Project Variance	Commentary
Business Case (Phase 0)	\$0	\$0	\$0	\$0	\$0	\$0	
Planning (Phase 1 - 3)	\$10,515	\$10,515	\$11,869	\$0	\$11,869	\$1,354	
Consents/Approvals (Phase 4)	\$30,000	\$30,000	\$0	\$30,000	\$30,000	\$0	
Design (Phase 4)	\$106,225	\$106,225	\$109,849	\$0	\$109,849	\$3,624	
Construction (Phase 4)	\$787,640	\$1,037,640	\$179,924	\$723,000	\$902,924	-\$134,716	
Closeout (Phase 5)	\$0	\$0	\$0	\$0	\$0	\$0	
Project Management	\$85,920	\$85,920	\$47,725	\$38,195	\$85,920	\$0	
Contingency	\$53,700	\$53,700	\$0	\$183,438	\$183,438	\$129,738	
Total	\$1,074,000	\$1,324,000	\$349,367	\$974,633	\$1,324,000	\$0	

Risks/Issues/Outcomes		
Key risks and/or issues arising are detailed below (NB level of risk is relative to this project)		
Risk ID - Risk/Issue	Mitigation	Residual Risk
10019 / 1 - Caused by flooding of the Inangahua River combined with the temporary nature of the current stop bank	On going maintenance required on the temporary stop bank	10
10019 / 2 - Caused by excavation of contaminated ground	Agree method with contractor then follow up with regular site inspections by BDC	10

Communications
 An update on media, marketing and communication activity for the programme/project
 A media release was prepared May 2023, updating the public on the Contract being awarded to Rosco Contracting and the proposed start date.
 Internal BDC stakeholders are being updated on a regular basis

Risk Key

Risk Rating	Action, Escalation & Review Timeframe Needed
20 – 25 Extreme	Risk Owner must immediately escalate risk to the SLT who considers escalating it to the Finance, Risk and Audit Committee.
10 – 16 High	Risk Owner immediately escalates risk to the Risk Leader, and to the SLT if required.
4 – 9 Moderate	Risk Owner monitors and reviews the effectiveness of risk controls and whether the risk rating has changed, on a monthly basis.
1 – 3 Low	Retain all risks on the risk register and review those with a combined score of 1 or 2 on a 6-monthly basis and those with a combined score of 3 on a quarterly basis to ensure that the risk rating has not changed.

Table 5: Likelihood of Occurrence

Likelihood	Score	Description
Almost certain	5	Event is expected to occur more than once in the next year
Likely	4	Event is expected to occur once in the next year
Possible	3	Event could occur at least once in the next two years
Unlikely	2	Event could occur at least once in the next 3 to 5 years
Rare	1	Event is unlikely to occur in the next 5 years

		Risk Assessment Matrix				
Consequence	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
		Likelihood				

Project Status Report – Better Off Funding Projects overview – June 2023



Programme/Project Details

Location and Region:	Buller District
Contracted Amount:	\$3,500,000
Reporting Period:	June 2023
Project Principal:	Buller District Council (BDC)
Project Partner(s):	DIA (Crown Infrastructure)
Programme Manager:	Penny Bicknell
Programme Outcomes:	The scope is made up of 9 projects approved by DIA that meet the funding criteria and demonstrate wellbeing outcomes.

Project Overview/traffic Light Status/High-Level Summary (G = Green; A = Amber; R = Red)

Aspect	Status	Comments
Overall:	G	The programme was prioritised by Council and approved by Crown Infrastructure
Budget:	G	\$3,500,000
Scope:	G	<p>The Programme of works includes the following approved projects:</p> <ul style="list-style-type: none"> • Three Waters projects • Reefton Wastewater/Stormwater modelling • Westport Waste/stormwater separation – smoke testing (applied for discontinuation) • Climate Change Adaptation and Master Planning • Community Hub Feasibility Study • Civil Defence • Airport Relocation options study • Karamea Reserve Water • Reefton Campground
Resource:	G	Resource to be assigned to each project as required
Schedule:	G	Schedule to be determined. Final deadline for Crown Infrastructure projects programme is 30 June 2027
Risks / Issues:	G	Scope of works may need to be reduced in some projects to ensure they remain in budget

State of Play

Last Month (May)	Next Month (June)
<ul style="list-style-type: none"> Completed Discontinuation section for Waimangaroa Water. Monthly forecasts uploaded Council meeting to discuss \$950k for re-assignment of Waimangaroa water and smoke testing 3 Waters – Mark Wiechern assigned as Project Manager Reefton Wastewater/Stormwater modelling - completed draft of scope of services for review by the project team Westport waste/stormwater separation – initial smoke testing completed within AP budget - \$300k to be reassigned Climate Change Adaptation – confirmed budget with Di Rossiter which combines with Council budget – Project established and scoped and reports to Council on a monthly basis Master Planning - (Paul Zaanen). Discussions re Procurement Plan Community Hub Feasibility Study - Feldspar contracted to undertake feasibility study – 9 months duration Civil Defence - Awaiting specification details on lithium generators and number of VHF radios required Airport Relocation Options study (Paul Zaanen) Karamea Water – To Supply Karamea Reserve Campground with potable water from rainwater to new water standards. Work is 95% complete with system operational. Funding drawn down in first 10% claim. 	<ul style="list-style-type: none"> Add \$100k Westport Critical Water for funding reallocation. First six-monthly report to be uploaded to portal by 15 July \$300k approved for Reefton Campground – meet and discuss next steps for application to DIA and co-funding stream. \$650k to be workshopped before August Council meeting for resolution. 3 Waters – Site visits, scoping, prioritizing list of projects and Procurement plan to be finalised. Reefton modelling – prepare a request for proposal and select consultants to price from an approved consultants list. Discontinue project in portal (subject to Council resolution) Transfer budget to University of Christchurch. Schedule workshop with Councillors to discuss community engagement and progress on Risk Explorer tool. This project has synergies with the Multi Tool planning. Early scoping and procurement documentation has been created – look to initiate once we have clarity around the additional multi tool funding. Community Hub – Continue stakeholder engagement. Briefing workshop in Westport with Feldspar, shortlist potential sites and investigate funding sources. Complete order by July Consultant to send through offer of service and timelines. Karamea Water – Project to be completed by end June.

Project Road Map/Schedule (Deadline for completion 30 June 2027)																		
Project task	Feb 2023	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 2024	Feb	Mar	Apr	May	Jun	Comments
3 Waters																		Scoping and procurement plan being prepared – completion date to be confirmed
Reefton Wastewater/stormwater modelling																		Request for proposal being prepared
Climate Change Adaptation																		Ongoing – linked to other funding
Master planning																		Procurement/tender being prepared
Community Hub feasibility study																		Feldspar contracted – 9 months to completion
Civil Defence																		Complete in July
Airport relocations options study																		Awaiting offer of service
Karamea Water																		Complete in June
Westport Critical Water																		\$100k to be reprioritised from Westport waste/stormwater smoke testing project
Reefton Campground																		To be scoped

Financials (30 May2023)						
A summary of funding received and expenditure to date actual against budgeted for each Project Element is shown in the table below.						
Programme/Project Item	Budget	Actual Spend	Drawdown /claim	Forecast cost to complete	Project Variance	Commentary
3 Waters	\$1,260,000	\$ 23,097	\$ 5,000	\$1,236,903		
Reefton Wastewater modelling	\$ 150,000			\$ 150,000		
Westport Wastewater/smoke testing	\$ 0	0		0		Project Discontinued
Climate Change adaptation Master planning	\$ 500,000	\$ 19,026		\$ 480,974		
Community Hub Feasibility	\$ 150,000	\$ 25,945	\$ 5,000	\$ 124,055		
Civil Defence	\$ 275,000	\$ 10,987	\$ 275,000	\$ 264,013		
Airport Relocation options study	\$ 50,000			\$ 50,000		
Waimangaroa Water	\$ 0			\$ 0		Project Discontinued
Karamea Water	\$ 65,000	\$ 55,657	\$ 65,000	\$ 9,343		
Westport Critical Water	\$ 100,000			\$ 100,000		Application to be submitted
Reefton Campground	\$ 300,000			\$ 300,000		Application to be submitted
Unallocated Funding	\$ 650,000			\$ 650,000		
Total	\$3,500,000	\$134,712	\$350,000	\$3,365,288		

Communications

An update on media, marketing and communication activity for the programme/project

Westport News reported on the request to reprioritise funding from Waimangaroa and Westport smoke testing projects and the subsequent discussions at the April Council meeting. Better off Funding Tranche 2 funding has been withdrawn by Government.

Westport News reported on the additional funding available of \$300k from the Westport Wastewater/stormwater smoke testing project.

RISK AND AUDIT COMMITTEE

12 JULY 2023

AGENDA ITEM 14

Prepared by Sean Judd
Acting Chief Executive

PUBLIC EXCLUDED

1. REPORT SUMMARY

Subject to the Local Government Official Information and Meetings Act 1987 (LGOIMA) s48(1) right of Local Authority to exclude public from proceedings of any meeting on the grounds that:

2. DRAFT RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting

Item No.	Minutes/ Report of:	General Subject	Reason For Passing Resolution under LGOIMA
15	Douglas Marshall Chief Financial Officer	30 June 2022 Annual Report Follow up Issues Ernst & Young	(s 7(2)(h)) - enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; or (s 7(2)(i)) - enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); or (s 7(2)(j)) - prevent the disclosure or use of official information for improper gain or improper advantage.
16	Sean Judd Acting Chief Executive	PIP IAF Funded Project	(s 7(2)(c)(i)) - Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would: Be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; (s 7(2)(i)) - enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).